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# ***JPRS Report***

## **East Europe**

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# East Europe

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## CZECHOSLOVAKIA

### Dispute Over State Security Organization Continues

#### Minister Sacher Reports on Accomplishments

90CH0064A Prague KVETY in Czech 15 Mar 90  
pp 24-25

[Interview with Federal Minister of Interior Richard Sacher by Jaroslav Tesinsky; place and date not given: "Our Conversation With Richard Sacher, Federal Minister of Interior"]

[Text] After years during which the operations of the Ministry of the Interior were cloaked by profound silence interrupted only here and there by some official declaration or statement, various facts revealing the purpose and practices of some of its branches are now coming to light. When one reads such information, one can understand why the mention of the word "Interior" used to evoke in most people a feeling of anxiety rather than of security, as it was supposed to do. The November events swept away the powers of the former system, and let us hope that they have also torn to shreds their invisible threads. A wave of justified criticism has risen in our society, but at the same time people are asking what will happen next. After all, every society must protect its citizens' lives, welfare, and goods as well as its democratic system. Who will fulfill that task in our country in the future? And who will guarantee that no one will be abused as in the past? Our editorial board received answers to these and other questions from Richard Sacher, federal interior minister.

[Tesinsky] Mr. Minister, not so long ago the Ministry of Interior had you listed in the register of persons whose political views were suspect. Today you head that same ministry. Is it possible that there is no danger that your decisionmaking may be somewhat biased?

[Sacher] I don't think so. However, you may rightfully object that State Security used to serve the former political system as a kind of a third leg of a tripod. Without State Security, in other words, without the police apparatus, that system would not have functioned. Such practices must be rejected. Political conditions have changed; we respect a different category of values. The 200 letters I am receiving every day and the demonstrations in Wenceslas Square, in Letna and elsewhere confirm that the public supports these changes.

[Tesinsky] You ordered the disbanding of the State Security Corps. In the past they used to spy on many honest people and often persecuted them. It is generally known that special commissions were established to investigate the State Security members. What will they review?

[Sacher] Members of the disbanded State Security Corps are reservists of the Ministry of the Interior. All those who will apply for employment in our new apparatus

must undergo review before the commission which will examine each one's previous record and decide whether from the ethical and professional standpoint that particular individual is capable of serving in a certain rank under our new political conditions.

[Tesinsky] Among the disbanded sectors of State Security is the Czechoslovak counterintelligence. If I am not mistaken, its task was to protect our economy and capacity for defense, in brief, to prevent the divulgence of certain information and secrets to foreign agents, no matter what part of the world they are from. Every state operates similar agencies. Do you think that Czechoslovakia can do without them?

[Sacher] Certainly not. Many people let themselves be carried away the euphoria that now the whole world loves us. We may well be the center of attention, but our inventions protected with patents, etc., also are the same focus of attention. Our state and actually all our taxpayers have spent enormous amounts of money for them, and if they were revealed, it would mean considerable economic losses for us. Therefore, we just cannot let anyone walk around in our republic and admire not only the beauty of our scenery but at the same time try to penetrate what we call our state or economic secrets. For that reason we are currently organizing the Bureau for the Protection of Constitution and Democracy which will deal with such problems. There were recently many instances where people who lacked sufficient information and were often unaware of the secrecy of certain information were dealing with secret data. Nevertheless, everybody should realize that laws apply here with all their consequences. It is true that in our country lots of things used to be concealed in the past. That must change, but it that does not mean that we shall have no secrets at all.

[Tesinsky] Will the new counterintelligence be able to follow in the footsteps and traditions of the counterintelligence of the first Czechoslovak Republic whose reputation among experts used to be excellent?

[Sacher] We may follow that tradition by drastically reducing the staff. Well, this is the story. During an embargo on Western exports of advanced technology to the East we had to use different ways—let us say, not the most normal methods—to bring that equipment to our country. That will no longer be necessary now that we are establishing completely different relations with Western countries, when our common European home is being planned, and various obstacles to trade are falling down.

Furthermore, we no longer regard countries to the west of our borders as enemies, and we cannot indiscriminately suspect every visitor to our country, which used to be the case in the past. I myself have had such experiences. Two years ago I was on my way back from the FRG. In my pocket I had a little scrap of paper with the numbers of batteries for my watch. At the checkpoint in Zelezná Ruda I was frisked; the note was found and I was interrogated about what kind of code it contained. I

smiled a little in amusement at that question and you cannot imagine the trouble that followed. We cannot treat people with such distrust.

[Tesinsky] Since we are talking about the disbanded units: agencies similar to the State Security Corps are operating perhaps in every state, even in advanced democracies. After all, democracy, too, needs some defensive system to shield its very essence from attack. At this time it may sound unpopular, but will there be some new agency in our country that will take over part of those tasks of the former State Security that similar institutions fulfill in other countries? Naturally, by that I do not mean persecution of honest people.

[Sacher] That will be done by the Bureau for Protection of the Constitution and Democracy which will not be used against our citizens but to safeguard our democratic rights and constitution. For example, it will take action against persons who intend to promote the principles of totalitarian power, anarchy, terrorism, fascism, or who try to violate the unity and sovereignty of our state. Our society must protect itself from such attempts and there we cannot always use only the usual means, as for instance, you journalists and reporters may do, but rather intelligence techniques. The important thing here is not to abuse such means. For that reason I recently revoked an order of the ministry which specified conditions under which it is permissible to use such means as wiretapping or inspection of mail. In the future that all must follow precisely stipulated legal regulations under the supervision of the parliament and constitutional court.

[Tesinsky] Could you mention similar such units in some countries in the West? Do they include, for instance, the MI-5 department famous from the British television series?

[Sacher] No, that is something else, but we also shall organize something along the lines of MI-5.

[Tesinsky] Who protects the highest representatives of our state at this time?

[Sacher] As for the head of our state, the Administration for the Protection of the President of the Republic was organized; it is attached to his military office, and not to the Ministry of Interior. The Bureau for Security of Constitutional Authorities protects others. We have reduced this unit drastically because in the past such protection was provided also for high party officials....

[Tesinsky] Their number was probably higher than the number of the members of government....

[Sacher] Absolutely. Therefore, today we protect selected constitutional authorities and foreign delegations. A litmus test for us will be, for instance, the Pope's visit in Czechoslovakia. We discussed it last week with the Vatican representative. These affairs are extremely complicated and demanding. Whoever thinks that it is easy to provide security is greatly mistaken.

[Tesinsky] After all, it is known how well protected President Bush, Mitterrand, or Mrs. Thatcher are....

[Sacher] When the U.S. Secretary of State, Mr. Baker, visited here recently you could have seen at the first glance that his security agents were some sharp fellows. They hardly wear those trenchcoats because of the weather or because they are cold; obviously, under them they carry something bigger than a handgun. In addition, they are equipped with far better technology than we. You may have noticed that each of them was wearing a tiny hearing aid behind his ear, and their commander, for instance, would rub his face discreetly and talk all the time. And they reacted. They have a perfect organization. It is a fact that security in other states operates far more effectively and efficiently than in our country, even though our security has a good reputation in the world.

[Tesinsky] Are there any plans to open the archives of the State Security Corps or at least, to make public some cases, especially those concerning political persecution?

[Sacher] With the advancing revelations of criminal acts committed by some of the employees of the Interior Ministry and of the party apparatus, parts of the archives are gradually getting open. We shall make video tapes from recent years available to artists who intend to use them in their works; for instance, Mrs. Vera Chytilova, the film director, has made such a request. Of course, the archives contains information which fall into the category of state secret. So long as there is no change in the law, I am not authorized to make such data available.

[Tesinsky] Recently we raised the iron curtain on the western borders of our country. It is not likely that anyone would now try to escape over the hills. However, the economic differences are enormous. Isn't there a danger that the traffic of smuggling which in the past used to flourish may be revived?

[Sacher] We must count on that. We already are dealing with first cases where citizens mostly of Asian and Arabic states were trying to smuggle drugs into Austria. Not long ago the Austrians also seized in the border area a group of Polish smugglers with 200 cartons of cigarettes from our country. A few days later the same incident was repeated on the same spot.

[Tesinsky] I heard an interesting view that as soon as we break down all barriers at the border, the Austrians and Germans will build their own on their side, mostly to protect their economy and their citizens from criminal elements.

[Sacher] It is a fact that at this time our neighbors are interested in that because until now they did not have to pay to guard their borders. They demand that if we remove barriers, we step up border protection because they can focus only on their checkpoints. They have no protection between checkpoints. We continue to provide that service, but we cannot go on with it in the future. If we have to dip into our state budget, they will have to do likewise. Planned international agreements on these

issues will also deal with borderland contacts, for example, extending up to 30 km into Austria, but at present only on weekends, so that protects our domestic market at least to some extent against shoppers' raids on our merchandise. Checkpoints will be restored in several locations; our neighbors are very interested in that. For instance, recently I opened the Liskova-Waldmuenchen checkpoint, on which occasion I received no less than four petitions with maps enclosed, by which the FRG citizens requested that additional checkpoints be opened near their towns. From the commercial standpoint it is obvious. They are fully aware that tourist traffic at a checkpoint brings in money.

[Tesinsky] When the borders of our country will open, it may give rise to some negatives that are little known to us. By that I mean organized crime, drugs, and so on. Is our State Security prepared for problems of that sort?

[Sacher] International crime is well organized and has excellent technical equipment at its disposal. If we want to counteract it, we must be better organized and have better technological equipment. Not long ago I visited the Federal Criminal Center. The people who work there are experts; one may say that they are the "elite unit." They enjoy an excellent reputation in the world. However, they are using common methods of criminal science; they do not use intelligence techniques. If international crime invades our country, it no longer will be just to transport drugs through our territory, but also to sell them as soon as our currency or our goods will begin to attract their interest. Networks of middlemen, prostitution, hard pornography, and so on, will appear. They will be organized groups with which we must deal by penetrating their networks with our people. We must follow the movement and operation of such gangs not only in our country but, for instance, in the country where the drug originates. Conventional criminology methods cannot tackle that; it requires other methods and techniques of intelligence services. We are now organizing a center which will concentrate on the fight against narcotics, terrorism, and international crime, and which will have the same sophisticated equipment used elsewhere in the world. In the foreseeable future a representative of the U.S. Drug Enforcement Agency will visit our country; his organization, which has offices in Vienna, coordinates the fight against these kinds of crimes. We intend to start cooperating with that organization and join it as members. Furthermore, we plan to resume our membership in Interpol; as a matter of fact, we were involved in its founding years ago.

[Tesinsky] It is said that the crime rate has risen considerably in recent months. Could you give us some specific data?

[Sacher] If we compare January of this year with January of 1989, then, for example, there were six murders last year and 10 this year; last year there were 59 robberies, this year, 108; last year there were 1,371 cases of breaking and entering, this year 2,883; last year 315 apartments were burglarized, this year 538. These data

are from the Czech Republic, but the situation in Slovakia is similar or in some respects even worse.

[Tesinsky] Part of this increase may be attributed to the far-reaching amnesty, which is only natural and understandable. But the fact is that during the same period our State Security was in a profoundly defensive position because its members had been misused in the past by the former authorities. There were days when you could not find a traffic policeman in the street. However, the task of your department is to protect the life, welfare, and property of our citizens. How do you intend to accomplish that? How can relations of trust and cooperation be developed among the State Security and our citizens?

[Sacher] Indeed, there was a period of passive resistance. After previous conditions, one cannot be surprised that our members were afraid to intervene in any way because they were not sure how the public would react. In the future our citizens must be well informed about what the State Security does and whose interests it protects. Also, that trust must stem from the character of the individuals who represent the law.

Furthermore, I think that the operation of the Public Security, which of course is within the purview of the republic's ministries, should be linked as closely as possible with our national administration. We shall abandon the Soviet, or rather, the czarist police model, and link police operations with our national administration as is done in Western democracies. A policeman will not be above the law; he will be just another citizen endowed with certain rights and certain duties. Naturally, he must act within the limits of the law as the situation demands.

[Tesinsky] What future does the National Security College have?

[Sacher] We should like to bring its study curricula as close to civilian schools as possible. Therefore, our members will first follow regular law school curricula and only later will they complete some kind of additional training according to their special assignment. We are negotiating with the Austrians, French, and Americans to have their experts teach in our country, and to enable our members to practice in their countries.

For the time being, we have reinforced the Public Security Corps in Prague with students of the Public Security College in order to cope with the rising crime.

[Tesinsky] Private enterprise may give impetus to another type of crime—tax fraud. Frequent scandals in the West have brought down governments. Are there specialists on such issues in our State Security?

[Sacher] It is certain that a great many tax experts will counsel entrepreneurs on how to cheat on taxes. But not to worry! We will have our own experts.

[Tesinsky] Will there be some effective control system to prevent units of the State Security from misusing their

authority and by the same token, to prevent the powers that be or a political party from misusing the State Security?

[Sacher] At a meeting of the Federal Assembly I told the deputies that because I respect the parliament, I demand that the highest representative body and, on the local level, the national administration regularly review operations of my ministry. Moreover, a committee in the Federal Assembly oversees the armed forces and security. I requested that its deputies regularly visit units of the Border Patrol and the armed forces of the Ministry of Interior, and of the State Security, so that they can learn about the situation.

[Tesinsky] Mr. Minister, due to past misuses of the Ministry of Interior and due to its special position, you had to resolve recently a number of problems and guide your ministry on a new path. Where in your opinion is some success already beginning to show?

[Sacher] The Ministry of Interior has probably ceased to be a sinister and much feared building, although I must admit that many people still adhere to this idea and will continue to adhere to it. The Interior Ministry can never publicize everything. It is not the Ministry of Information. Many of its operations must remain secret. The problem is precisely that we must gain the people's confidence, although we never can tell them everything, otherwise we would not be doing our duty.

Our most important task may be the decision on turning several sectors of our operations over to civilian administration, and on building new structures. Having started to liquidate the old, we must start building the new at the same time; we cannot leave a vacuum. Also, we are in the process of readjusting our relations with other states. For example, we are drafting a new agreement with the Security of the Soviet Union—namely, one that we may publish in its entirety.

[Tesinsky] Without any secret amendments?

[Sacher] Absolutely. And we are negotiating similar agreements with other states as well. These are essential steps for the organization of our security apparatus on different foundations than in the past.

#### **Former Deputy Rejects Sacher's Accusations**

90CH0132A Prague ZEMEDLSKE NOVINY  
in Czech 11 May 90 p 1, 3

[Interview with Colonel Jaroslav Prochazka by Jan Subert; place and date not given: "The Minister Is Not Telling the Truth: About Secret Service, Military Counterintelligence, and a Shadow Leadership"]

[Text] For a month now we have been trying to follow independently events in the Federal Ministry of the Interior [FMV]. The professional argument within the leadership, the "Sachergate" affair, the dramatic resignations of deputies, the furor over the interview with Delegate Lise. Now this week we have the reactions of

delegates to the minister's response, and they are full of conflicts. In an attempt to provide the most objective information possible we are publishing today an interview with the former deputy minister, a degreed lawyer, Colonel Jaroslav Prochazka. In his written report to parliament, Minister Sacher made serious allegations against this man.

[Subert] First, can you tell us a little about your past?

[Prochazka] I joined the Committee on State Security [SNB] in 1963 after graduating from the Charles University Law School, and immediately began my military service. After military service I attended the Czechoslovak intelligence school for nine months beginning on 1 October 1965. In 1969, I worked as a first lieutenant in intelligence, and signed "Two-Thousand Words." After 21 August I lost my faith, underwent a normalization investigation and was fired from the SNB. From 3 August 1970 until January of this year I was employed as a lawyer in the Prague 7 District Housing Management Enterprise [OPBH]. I was asked to return to the FMV by the Civic Forum Coordinating Committee, and was appointed by the government on 1 January 1990. The background investigation that I requested proved that in the intervening 20 years I had no contacts with State Security or with any SNB units.

[Subert] As deputy minister you were part of the dismantling of the former counterintelligence service, which was the backbone of State Security [StB], and the creation of a new Czechoslovak secret service—the Office for Defense of the Constitution and Democracy. At the request of Minister Sacher, however, you resigned. The minister repeated his serious accusations against you in his written response to the interview with Delegate Lise, which he submitted to parliament. First, he asserts that you did not play an active role in judgements concerning former StB employees whose investigations you were handling. He maintains that on 17 April he first learned that only six people were rejected out of the first 45 who were investigated.

[Prochazka] The investigations began on 5 March, so by 17 April the commissions had checked hundreds of former employees. The above number clearly relates to the first phase, when newly appointed regional commanders and individuals selected for the regional inspection commission were being investigated. The 45 people mentioned, then, were people who had already been chosen by civic initiatives at round tables after 1 January 1990. They were already trusted, in other words. This explains why such a small number was rejected.

[Subert] To another point, then. In March the minister learned that your subordinate, Colonel Zdenek Formanek, doctor of laws, director of the Office for Defense of the Constitution and Democracy, was doing background investigations on a whole range of people. They included employees of the Czech Republic's Office of the Chief Prosecutor, the Ministry of Justice, prosecutors, judges, and office employees of the parliament and the

Czech Government. Dr. Sacher cancelled the background investigations, but learned that they proceeded anyway.

[Prochazka] This is again grossly distorted. The minister did not bother to say that these background investigations were being performed on orders from high constitutional officials. The ministers involved, the president of parliament, and of the Czech Government all requested that background investigations be performed on people working in their apparatus. This task was clearly within the full authority of the Office for Defense of the Constitution and Democracy.

And one more thing. Your newspaper has been among those to write about an order from a certain General Lorenc. The general is currently in custody, but was a consultant for some time to the minister. The above mentioned order resulted in the random destruction of documents of the former StB, including documents listing the names of agents. These are useful for background investigations. My office got involved in these materials in order to determine their status and to make a judgement concerning what to do with the intelligence information they contained.

[Subert] In his response to the interview, he criticizes you and Dr. Formanek for your plan to obtain state security information for the government from the press, without the use of domestic intelligence agents. He describes this approach as naive. In addition the minister wrote, "Prochazka did not agree with the use of domestic intelligence operatives, yet requested that military counterintelligence use all its available means to learn about the opinions and thoughts of citizens."

In his response to the interview, he criticizes you and Dr. Formanek for your plan to obtain state security information for the government from the press, without the use of domestic intelligence agents. He describes this approach as naive. In addition the minister wrote, "Prochazka did not agree with the use of domestic intelligence operatives, yet requested that military counterintelligence use all its available means to learn about the opinions and thoughts of citizens."

[Prochazka] Both this and the previous criticism represent a knot of inaccuracies and half truths. Dr. Formanek and I had rejected the use of domestic intelligence agents to learn about the opinions and thoughts of our citizens. This seemed to us the worst kind of snooping used by totalitarian regimes, but which has no place in a democratic state. The opinions and thoughts of the people can be analyzed easily in a free press or obtained from public opinion research institutes.

State security information is another matter altogether. This includes information about unconstitutional and subversive acts, information about activities of the old structures, or about fascist, racist, or anti-Semitic activities. In these cases an internal intelligence agency is justified.

Regarding military counterintelligence, I did request their assistance, because at that moment it was the only consolidated and functioning division. I made the request at the time preceding the departure of Soviet soldiers. The situation was pretty serious. As is well known, police patrols had been beefed up with soldiers, and reports were circulating about sales of arms by Soviet officers. I therefore considered it important to learn about the situation in the vicinity of the Soviet bases. This was why I addressed my request to military counterintelligence. In no way was it an attempt to learn about the opinions and thoughts of our people.

[Subert] You also allegedly failed to take any concrete, firm steps against former StB employees.

[Prochazka] I have no idea who is spreading these rumors, or why. Not quite 10 days after starting work at the FMV—on 31 January to be exact—I ordered the disarming of members of former StB units, that is of the entire counterintelligence apparatus. That same day the same order was given, this time for the central foreign intelligence service, by my fellow former deputy, Colonel Viliam Ciklamini, doctor of laws. The minister issued his own order to disarm the remaining StB units on 5 February.

[Subert] The most serious accusation the minister makes against you is that you were trying to form within the FMV, in conjunction with former deputy Ciklamini, a second, shadow leadership. Dr. Sacher states directly that the purpose of this undertaking was to "use secret information and to replace the minister."

[Prochazka] All of this, of course, is total hogwash. All deputies and ministers came to the FMV from the same place—from Civic Forum and Public Against Violence. And we all came with the same goal, to get rid of the old and to start something new—a democratically functioning security apparatus.

[Subert] You must have some idea of the origin of such serious allegations....

[Prochazka] We all arrived at the FMV with the best intentions, but each one of us was doing his own thing. Ciklamini was responsible for the foreign service, Samel had the military, and Prusa the legislative. Between 19 January and 20 March, for instance, the minister had only five joint conferences. When Dr. Sacher went to Italy, I, as his deputy, learned of the trip on the radio. Possibly it all started with this extraordinary isolation. The minister took almost no notice of either Ciklamini or myself, and only began his attacks when his own political profile became a little higher.

[Subert] Did the minister ever tell you, for instance in a conversation, of any reservations he might have?

[Prochazka] No. He could have explained that I am doing this or that incorrectly, or that I am not up to the job. I would have accepted this, because it is his right to say it. Instead, he began to propose to the government

that I be recalled. In these proposals he claimed that I was forming a shadow leadership at the FMV, and at press conferences he stated publicly that he would fire me.

[Subert] Your resignation was, after all, held up for a while.

[Prochazka] Yes, because the defense and security subcommittees in parliament supported me at three critical junctures. They did the same for first deputy Dr. J. Ciklamini.

[Subert] Finally, though, you had to resign. You were indicted, an indictment that was later overturned. Doesn't it all seem a little strange to you?

[Prochazka] It does. The only thing I know for sure is that the minister, for some unknown reason, is not telling the truth.

### TV Channel To Broadcast Western Programs

90CH0093A Paris LE MONDE in French  
24 Apr 90 p 10

[Article by Pierre Angel Gay: "Czechoslovak TV Signs an Agreement With Channel 7"—first paragraph is LE MONDE introduction]

[Text] Until now, the programs of the third Czechoslovak channel were picked up from Soviet TV. The new officials of this Eastern country have decided to substitute Western shows for them. To implement this decision, a first agreement was signed with Channel 7 on Sunday 22 April.

The collapse of the Czechoslovak Communist regime last November was accompanied by a changeover of the audiovisual leadership. The apparachiks of the old regime had to make way for the newcomers, if not the veterans who had been chased out in 1968 after the invasion and occupation of the country by the troops of the Warsaw Pact. A new law, which is to provide public channels with a statute protecting them from the meddlings of the political authorities, is in the planning stage. The Czechoslovaks refuse to go further for the time being, believing that, for lack of advertising resources, it will take their country two or three years before it can afford totally private channels. However, major Western groups have been contacted to ensure the management of the first two public channels. I. P. (Information and Advertisement), a subsidiary of the Havas Group, appears to be in the lead, following an initial success in the GDR (LE MONDE dated 29 April).

Jiri Kanturek, the new director general of Czechoslovak television, explained at the 27th MIP-TV [not further expanded]: "Another path has been chosen for the third channel." Servicing 30 percent of the market—but all, more or less, of the country's large urban centers—that network was, until now, picking up its programs from the Soviet first channel, followed after midnight by an additional program for the soldiers of the Red Army.

Today, the latter are leaving and the Czechoslovak authorities have decided to broadcast on that network a patchwork of broadcasts—for the time being neither dubbed, nor with subtitles—picked up via satellites from Western networks (however, Soviet television still retains an extremely limited broadcast time).

### The Rule of the Game Respected

Kanturek added: "We are negotiating with French-speaking channel TV 5, Worldnet, CNN, MTV, and a sports channel. Expenses will have to be covered by advertisers and sponsors, Czechoslovakia agreeing only to assume the cost of the Hertizian broadcast, or 37 million crowns annually."

The agreement, signed with Channel 7 in Cannes on Sunday 22 April, respects this rule of the game. The cultural channel will assume the cost of installing reception equipment (Fr200,000 to Fr300,000) and is already proceeding with the necessary repurchase of the Hertizian broadcast rights. Jerome Clemen, the president of its board of directors, explained: "To do this, we will benefit from French Government aid, which should be approved when parliament votes on the next budget amendment." This agreement is the second of this type signed by Channel 7 with an Eastern country, since its programs will be picked up daily for three hours of broadcasting over Polish television, as of 7 May.

## ROMANIA

### Sibiu Chief Public Prosecutor on Revolution Events

90BA0053A Belgrade ILUSTROVANA POLITIKA  
in Serbo-Croatian 13 Mar 90 pp 22-23

[Report on interview with Sibiu chief public prosecutor Nicolae Uca by Jevrem Damjanovic in Belgrade; date not given: "We Broke Up a Nest of Secret Police"]

[Text] The Securitate secret police was routed in December's revolution in Romania, then abolished, but its members continue to act illegally, trying to destabilize the new authorities. Foreign agencies have revealed that the most fanatical of Ceausescu's policemen have moved to the interior of the country and that they are concentrated in Sibiu, among other places, which was the stronghold of the dictator's son Nicu.

To what extent is this true?

We talked to Nicolae Uca, the chief public prosecutor in Sibiu, a city of 200,000 in the district of the same name. We are in front of the "Mazestik" in Belgrade. He seems self-confident as he speaks.

"The very fact that I am here, in Yugoslavia, is proof that the situation in Sibiu, and in Romania in general, is not the same as ill-informed foreign observers sometimes depict it," he says. "Things are difficult, there is still



activity by the defeated forces, but I think that no one in my country believes that there could be a coup."

### Created a Stronghold

Sibiu was once considered a peaceful city. They say that this is why Nicolae Ceausescu made his son Nicolae head of the Communist Party there—so that the latter could more easily institute his dictatorial regime, and then become his father's successor in the position of head of state. Nicu, as the dictator's son was affectionately known, had previously been a youth leader, and when he left for the provinces he did not lose contact with Bucharest, since he was a member of the Central Committee of the RCP [Romanian Communist Party].

"Immediately after his arrival in our city, Nicu replaced the commander of the garrison, the chief of the district police, and many other leading figures," the public prosecutor says. "He replaced them with people whom he trusted. But then the purges began. Everyone who did not enjoy the regime's favor was gotten rid of. In 1988, I was deputy public prosecutor, but I was replaced because of 'relations with foreigners.' You can judge what that meant on the basis of this: If the Ceausescu regime were still in power, I would be punished for talking to you, a foreign journalist. Not even then was I doing anything against Romania; I became a victim of an abnormal regime that fenced itself off from the world around it. And Sibiu became the number two center of power, after Bucharest.

"When the popular uprising spread from Timisoara and Arad to Bucharest, it took hold of Sibiu as well. Not much was known in the capital about what was happening there. From the Bucharest television studio, it was announced to the public on 22 December 1989 that shooting was still going on in Sibiu. 'Please stop the slaughter,' the announcer appealed. Then it was announced that the city's water supply had been poisoned, and that this had been done under orders from Ceausescu's son. The chief of police in Bucharest made another dramatic announcement: The security forces were attacking the army, which had no ammunition, and they were firing on anyone, including ambulances. 'The Securitate is firing on soldiers who are in the Army Club,' he added. General Nicolae called on the nearest army units to help 'defend the revolution in Sibiu.' A little later, there was an announcement from Bucharest television that 'Nicu Ceausescu tried to capture a military camp in Sibiu, but was thwarted and arrested.' Afterwards, this was refuted. And then, unexpectedly, the dictator's son was led into the studio in order to show everyone that even he had been caught."

What really happened in Sibiu?

"There was fierce fighting; the outraged people, although unarmed, stormed the centers of power," says Uca. "It was precisely on 22 December, despite fierce resistance and attempts to reverse the situation, that Securitate headquarters came under continual attack by the army,

and was then set on fire. Police personnel were immediately placed at the disposal of the army. It is not clear who played that role in the skirmishes, but all sorts of things remain to be cleared up. Of course, because of the general chaos in which everything transpired, many details will remain unclarified. As far as the role of Nicu Ceausescu in these events is concerned, as well as his role before that in Sibiu, this will be cleared up, I believe, at the trial that awaits him."

### How To Identify the Guilty Parties

The consequences were dreadful. The public prosecutor: "In Sibiu, records indicate more than 90 people killed and more than 300 seriously injured. One-tenth of the houses were destroyed, and an even larger number were burned. The authorities who existed up to that point ceased to function. That is why the first task of the council of the National Salvation Front was to restore peace, law, and order. And to identify the people responsible for the bloodshed as quickly as possible."

They had to act quickly, but not rashly, because the summary trial of Nicolae Ceausescu and his wife Elena, who were shot immediately thereafter, elicited indignation throughout the world and from friendly countries partial to the new regime. The president of the council of the National Liberation Front [as published] of Romania, Ion Iliescu, agreed that the trial of the former leader did not constitute the normal judicial procedure, but that they had no other choice; they had to act in that way in order to quickly pacify the situation in the country and avert a massacre of the people. Nevertheless, the new government, confronted with continued armed resistance by loyal Ceausescu followers, was set up through the courts in all the cities on 27 December, issuing the ultimatum that everyone lay down their weapons by five o'clock on the following afternoon.

"It was necessary to enable the legal system to engage in normal judicial activities as soon as possible. On 25 December, the federal public prosecutor established a legal commission, after which the appointment process began. In Sibiu, all judges were placed under the service of the new government as early as December. I was appointed chief public prosecutor on 3 January. The investigation commission was assigned the job of identifying former members of the Securitate and everyone who fired on demonstrators. This was no easy task. Hundreds of people were questioned, but all of them denied that they had opposed the demonstrators. Then we resorted to identification by others: We arrested suspects and took them to many places where people identified them. This is how individual guilt was ascertained. The head of the Securitate in Sibiu and the heads of the police and the district inspectorate were sentenced to prison sentences of 15 to 20 years for their involvement in genocide. The court trials began on 8 January, they were improvised under difficult conditions, but there was proof of the guilt of these officials."

Our interviewee emphasizes in particular that he cares very much about lawfulness and that the public prosecutor's job in the future as well is to vigilantly see to it that no one is wrongfully condemned.

"Our judiciary has come out from behind the mask of the Ceausescu regime, and for that reason it will soon rest on new foundations, through which there will be respect for all the classical forms of lawfulness and the judiciary. The judiciary must be organized like the ancient Romans and our lawyers have said, like the Romanian people, who are of Roman descent, have said. You know, we care a great deal about that heritage, because the Romans were the originators of law. Roman law. But in our country all that was pushed aside by the communist regime. In every district, including Sibiu, it was party activists who coordinated and verified, from a political point of view, the activities of the army, militia, police, and judiciary. In Sibiu, this devoted servant to the system of Nicu Ceausescu was not even a lawyer. Yet he coordinated the work of lawyers! He was sentenced to six years in prison for favoring the dictatorship. There is evidence that he also violated other standards, and he will also be sentenced for that."

The legislation remains to be revised, and that is a sweeping change.

"One of the first steps by the new regime was to abolish laws that degraded the honor and dignity of the citizens. Those who illegally left the country were subject to criminal prosecution, but they were fleeing an insupportable regime. Crossing the border without documents should be only a mild infraction, not a criminal act, just like in other countries and Yugoslavia."

An ordinance has been adopted whereby all citizens can have a passport, not just the privileged people.

"When I was appointed to the official delegation that was to travel to Belgrade, I received a passport in two hours. For us in Romania, it is very important that every citizen, after filling out a standard request with two photographs and a fee of 65 lei, be able to receive a passport in 20 days. And that he may hold on to that document, in order to travel whenever he wants and to whatever country he wants. This is a marvelous thing for us! I was in Yugoslavia for the first time in 1987, and that was a very great pleasure for me. I discovered that we are kindred spirits. Afterwards, I received the documents twice, but we were not allowed to travel."

The public prosecutor from Sibiu is optimistic even with regard to all the difficulties facing them (he was in Belgrade as part of a delegation seeking food assistance).

"I hope that we will get Romania back on its feet within two or three years and have a normal situation," he says. "We will change the laws in such a way that every citizen enjoys freedom, that there is no more fear of the police. Such fear is finished in Romania! And the judiciary will function only according to the law. In the investigation

and court system, we will most of all defend citizens and property from those who threaten them."

## YUGOSLAVIA

### Operations of Combined Police Unit in Kosovo

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[Article by Mario Profaca, incorporating interview with Jovo Vuckovic, assistant federal secretary for internal affairs, conducted by fax between Kosovo and Belgrade; date not given: "The Right to Life and Death in Kosovo"]

[Text] The proposed version of the program of the SFRY Presidency for solving the Kosovo problem which was made public exactly one month ago, and which presents the assessment that "we now face the task of setting aside extreme approaches and proposing an approach to solve the Kosovo problem which will be acceptable to all of Yugoslavia," contained a point which we felt to be not only a short-term, but even an urgent task, above all because of the victims of this year's disorders and because of the organs of repression in the province. There was also the warning from the collective head of state to those government agencies that "even under tense conditions there must be no abuse on the part of members of government agencies." A third point reiterated that "the SFRY Presidency has already announced that a commission will study all the cases of those killed and wounded during the recent events in Kosovo, and the public will be informed about possible abuses and irregularities."

As the report on the casualties is taking a long time in coming, conflicts are flaring up more and more between the official and unofficial representatives of state repression in Kosovo and representatives of the Albanian alternative. In the absence of final and credible data that are precise both as to the number and also the names of those demonstrators who were killed and wounded, the list of names which the Pristina Committee for Protection of Human Rights and Freedoms supplies to the domestic and foreign news media and organizations for protection of human rights is getting longer and longer and "is still not final." In what amounts to a kind of auction "on the basis of data gathered in the field by members of the committee, statements by those who have suffered losses and also information from the daily press and other news media," by publishing from time to time its "INFORMACIJA on demonstrators and other citizens who were abused, wounded, or killed in the territory of SAP [Socialist Autonomous Province] of Kosovo in the period January-February 1990," committee representatives Idriz Ajeti, member of the academy who is the chairman, and Dr. Zekeria Cana, secretary, actually appear to be checking those figures of theirs in public. Thus, that list of 32 persons published in INFORMACIJA on 13 February 1990 had increased to 36 in the issue published on 10 March 1990, while over

the same period the number killed according to statements of official authorities of the Secretariat for Internal Affairs increased from "only" 28 to "a total of" 31. The difference in the official figures is explained by the subsequent death of three wounded demonstrators, and in the figures of the committee in terms of the different time period covered by the data. That is, in the last INFORMACIJA of the committee they were given under the somewhat abbreviated title "List of Persons Killed During Demonstrations" (that is, even before January-February 1990). Even that list "is not final," and since the official authorities are not publishing the names of those killed, Academician Ajeti and Comrade Cana "have challenged" Radmilo Bogdanovic, republic secretariat for internal affairs of SR [Socialist Republic] Serbia:

"Let him indicate to us who on that list is alive, so that we can pass that joyous news on to his family. We fear that there are other people killed not covered by that list, since there are persons already declared missing."

They made that statement back on 22 February 1990, defending themselves against Bogdanovic's charges that they were deceiving the public by giving the names, date, and place for 33 people killed and 204 wounded, when the official figures had already been published on 27 demonstrators killed and 110 wounded.

In the meantime, a government commission was established at the request of the SFRY Presidency, consisting of representatives of the federal, Serbian, and Kosovo secretariats for internal affairs, assigned the task of "studying all the cases of those killed and wounded in recent events in Kosovo as well as possible cases where members of law enforcement agencies have exceeded their official authority."

Over the past month, that commission has changed the title of its report several times, and in a meeting on 9 March the Federal Executive Council, during examination of the "overall political situation in the country in the light of the most recent events," also took up the "Report on Measures of Law Enforcement Agencies To Control Demonstrations and Terrorist Acts of Albanian Nationalists and Separatists Between 24 January and 3 February 1990." The press release on that closed meeting contains the following passage:

"The report of the Federal Secretariat for Internal Affairs on combating demonstrations and terrorist acts of Albanian nationalists and separatists in Kosovo was examined. It was observed in that connection that law enforcement agencies had operated in keeping with legal authority, and in certain circumstances were forced to use coercive means, including firearms. The judgment was made, however, that in two cases the legal conditions had not been fulfilled for the use of firearms, those two cases being in Malisevo and Janjevo. The competent authorities have taken legal steps in that regard.

"In addition, in four cases the relevant circumstances as to whether firearms were used in keeping with the law are still being ascertained."

#### By Decision of the Presidency

In our effort to arrive at somewhat more specific data on the measures of law enforcement agencies in Kosovo during the time to which this still unpublished report pertains, we turned by previous agreement to Jovo Vuckovic, assistant federal secretary for internal affairs. We publish in their entirety the responses sent by FAX from Belgrade. We also talked at much greater length with Nedeljko Neda Vukovic, commanding officer of the staff headquarters of the Joint Police Detachment (ZOM) of the Federal Secretariat for Internal Affairs, and his deputy Milan Sladovic (from SR Croatia) at their staff headquarters in Ajvalija, near Pristina.

[Profaca] What have been the experiences of the Joint Detachment, that is, of the Federal Secretariat for Internal Affairs, during the action in Kosovo, especially with respect to cooperation with district security centers and in view of the composition of the ZOM (from the six republics and Vojvodina)? In that same connection, we are also interested in certain organizational and operational questions (for example, the differences in operation of members of the ZOM on so-called calm days and the way they are activated and operate during conflicts and incidents).

[Vuckovic] The Joint Police Detachment was formed on the basis of a decision of the SFRY Presidency on 21 October 1987 and given the task of preventing and combating mass demonstrations and other forms of disturbances of public order and peace aimed at undermining or destroying the order established by the SFRY Constitution, of securing certain facilities that have particular importance to the country's security and defense, and also of performing other tasks and functions within the jurisdiction of law enforcement agencies that follow from that decision. Those other tasks would include, above all, the tasks of protecting the personal safety and property of citizens, detecting perpetrators of crimes and misdemeanors in this area and proving their criminal activity, as well as other jobs within their competence by way of offering assistance to the district law enforcement agencies. Which of these tasks were performed the most during the stay and activity of the Joint Detachment in Kosovo depended on the security situation. The members of the Joint Police Detachment have achieved significant results in their joint effort with members of district agencies and over a lengthy period have contributed considerably to improving the personal safety and safety of property of citizens as a whole, but especially of the Serbian and Montenegrin population, who objectively were threatened the most. Certainly, in what you have referred to as conflicts and incidents, that is, when the demonstrations were being organized and carried out, the activity of the Joint Detachment was predominantly oriented toward preventing and suppressing the demonstrations, since the principal task is in

fact to achieve stable public peace and order as the principal condition for stabilizing the situation in Kosovo. The Joint Detachment and district law enforcement agencies also carried out tasks jointly concerning those functions, in which they followed joint plans and directly combined their actions. It is our judgment that the joint effort with police personnel of district law enforcement agencies has been rather good, especially on matters in the area of security. Certainly, there have been some problems in this joint effort, problems which have been jointly resolved, as well as certain inappropriate actions and behavior of individuals. However, that has not been the general pattern, nor can it be said that this has affected performance of tasks as a whole to any great extent.

[Profaca] What can you specifically say about the most drastic examples of exceeding authority and about certain cases when this was not actually the case, but they were treated and given publicity as such in a segment of the press?

[Vuckovic] In answering that question, we have to distinguish two situations: action of police personnel to prevent and suppress demonstrations and their action or behavior in cases that do not involve preventing and suppressing demonstrations. In the first case, there can be no question of abuse of authority, but only of whether the conditions for the use of firearms prescribed by law have come about in cases when firearms and the consequences of their use are at issue. In this connection, we have to bear in mind the character of those demonstrations and the forms they took, which were very aggressive and brutal and included even elements of terrorism. Shots were fired on police from the crowd of demonstrators, bottles were thrown containing an incendiary mixture, police personnel were stoned on a large scale, and they were attacked with physical force. It is hard for anyone who did not see this and take part in breaking up those demonstrations to understand and imagine that. You have to see the province intersected with barricades from behind which shots are fired on the police. On several occasions, shots have also been fired on our vehicles, indeed even on helicopters. We have recorded more than 80 places of demonstrations during which shots were fired by the demonstrators. Lives were threatened here at every moment, not only those of the police, but also of innocent citizens, especially those who in the villages behind the barricades were at the mercy of the demonstrators. There is not enough space here to describe all that.

You know that the Federal Executive Council has examined the report of the law enforcement agencies concerning those events and judged that police personnel used firearms under the conditions and in the manner established by law, since they were placed in a situation where they could not perform their official tasks, nor repel an unlawful attack threatening their life solely by using more moderate means of coercion. It is true, and the Federal Executive Council so judged, that in the use of firearms in the village of Malisevo the conditions

required by law for their use did not exist. Unfortunately, that resulted in loss of life for two demonstrators. However, it should be said in this connection that just before that the demonstrators ambushed a police patrol. That is, they fired on the vehicle from which the shots were fired in Malisevo, and on that occasion they seriously wounded a policeman, who lost an eye. It should also be said that the policemen who fired in Malisevo were the same ones who in March of last year were in the armored vehicle in Suva Reka when a Molotov cocktail was thrown at it, the vehicle burned up, and their lives were saved at the last moment.

### Fabrications and Manipulation

What is more, aside from the cases in which the facts have been established, all circumstances of importance to evaluation of the legality of the use of firearms have not so far been established in another four cases. They are being investigated intensively. In all cases where it is judged that firearms were not used in accordance with the law, legal steps will be taken. It is true that there have been cases when individual policemen belonging to the ZOM exceeded authority when demonstrations were not being prevented and suppressed. A drastic example is a case when a policeman in a state of intoxication in the village of Janjevo, without any reason or pretext, fired his gun and wounded two young men. Criminal proceedings have been instituted against him, he is in custody pending investigation, and he has been discharged from the service. A typical case is the one in which two policemen beat up a citizen of Albanian nationality, Cana Kuci, without any cause at all. Appropriate proceedings have also been conducted against them, and they have been discharged from the service. All other violations of work discipline have also been reacted to very swiftly, even when no citizen was involved. Disciplinary proceedings are being conducted against all such cases, and the persons involved are being discharged from the service.

We will not and we dare not allow individuals to damage the reputation of the detachment and of the service as a whole, and their actions are being used for manipulation of various kinds. There has been enough of that kind of manipulation. The cases that do exist are being overemphasized, but mostly nonexistent cases of abuse of authority by members of the Joint Detachment are being invented in order to discredit them and bring about their withdrawal from Kosovo, and also to discredit the measures of the SFRY Presidency to stabilize the situation in Kosovo. How can we not regard as inventions and manipulation statements that members of the Joint Detachment are killing children and that two corpses were found in the river under the bridge, that they are raping Albanian women in their houses, that the police are beating children at their mother's breasts, that they rushed into a hospital in Prizren and forced a pregnant woman to undress, that a young man from Janjevo, after interrogation in the police station, committed suicide, and many other things. Anyone who is of sound mind and knows the mentality of people and the situation in

Kosovo will know that this has nothing to do with reality at all. It does little good when this is shown to be untrue after a brief period of time, since the report has already been circulated, the objective was achieved, and the police have been put in a situation of defending themselves against this unfounded attacks instead of carrying out their tasks.

[Profaca] What is the position of the SSUP [Federal Secretariat for Internal Affairs] in connection with the so-called volunteer detachments, that is, with people who in many towns in Serbia and elsewhere are signing up on "lists of volunteers"? If it is negative, what is being done to stop this? And if the SSUP has done nothing in this connection, why not?

[Vuckovic] I take the liberty of saying that there is probably some confusion here. That is, there can be no question of any "volunteer detachments" for which people in Serbia and elsewhere are signing up with the intention of fighting someone, using force as members of those "detachments." It is true, and the broad public is well aware of it, that there is an initiative for a return to Kosovo of those who have moved out and for all those who want to live and work there. And quite a few people are signing up for that. Since there is nothing unlawful in that, it is not in the jurisdiction of law enforcement agencies, so it is not up to the SSUP to decide or take a particular position on this. But if you want my position and opinion, I think that this is a good thing. The return of people to Kosovo and new settlements will bring creative new people. The material base has to be created for their work, and it will bring a return through their creative effort. All of that will contribute to Kosovo's development, to a rise in people's standard of living, to the conditions for higher employment and prosperity, which in and of itself will help to reduce the tension and interethnic conflicts. I think that no one should be afraid that this will detract from the security situation. On the contrary, I think that it will improve it.

[Profaca] Supposedly after the withdrawal of the Slovenian company from the ZOM in Kosovo, about 2,000 policemen, most of them reservists, but including retired personnel, were sent to Kosovo from other parts of Serbia. In some cases, for example, in Kosovska Kamenica and Vitina, the Albanian population recognized among them, it is said, certain Serbs and Montenegrins who at one time moved out of Kosovo.

[Vuckovic] The increase or decrease in the number of members of the Joint Detachment should not be related to withdrawal of the Slovenian unit from the composition of the detachment, since it was small. The increase or decrease depends on the security situation and the tasks. For example, at the beginning of March we reduced the strength of the ZOM by one-fourth. The trend, depending on the security situation, is downward. But should the security situation deteriorate, the numerical strength could increase. In the specific case covered by your question, something else is involved. That is, during the demonstrations and afterward, there was a

great fear among the Serbian and Montenegrin population, especially in rural areas, of attacks by Albanian nationalists and separatists on their life and safety, so that there was a sudden exodus during those days and there is the danger that this would continue. In order to prevent that and guarantee the population a peaceful life regardless of nationality, we first had to provide the preventive presence of the police even in rural areas on a round-the-clock and daily basis. To that end, in agreement with the Serbian Republic Secretariat for Internal Affairs and the Kosovo Provincial Secretariat for Internal Affairs, a number of policemen from law enforcement agencies of SR Serbia were sent to Kosovo to join policemen from district police stations in covering the villages with preventive patrols and in performing security functions, above all providing protection and guaranteeing people's safety. These functions are performed jointly and on the basis of joint plans. This can only contribute to security, by no means the opposite. That is something which some people cannot understand and others refuse to understand.

As for the number of those policemen, it is less than half of the number which you mentioned in your question. And as for "reservists," the stories that there are a large number of them are absolutely inaccurate. That is, law enforcement agencies in Serbia had to mobilize a number of policemen from their reserves in order to perform functions in those agencies and to replace policemen sent to Kosovo. It is not impossible that some of them were even sent to Kosovo, but a very small number. Incidentally, this is in line with regulations, and they are trained according to the same curriculum as regular policemen. As for "recognition" of certain persons who had moved out of Kosovo, I can say that the continuity of emigration has gone on for years and that a large number of people have moved out, so there is no reason why some of them might not have come and found employment in law enforcement agencies!

[Profaca] How many members of the ZOM who came from Kosovo have so far returned to their units, specifically: a) how many because of disciplinary, misdemeanor, or criminal proceedings against them for abusing or exceeding authority; b) how many for reasons of health? And under the heading of these health reasons, how many were sent back because of injuries, wounds, and the like, and how many because of mental trauma which they experienced so that they were no longer fit nor desirable for service as part of the ZOM in Kosovo?

[Vuckovic] At this point, I really am unable to give you specific figures, since they would be in the documentation at several places and I do not have this at present. You know, for a time we have been changing the entire personnel of the ZOM, and we keep the records by shifts. However, I will try to answer that question for you. I can say in answering the first question that very few cases have been for exceeding authority toward the population. There has not been much of that even now, although, for the reasons I have mentioned, this is exaggerated in order to attain certain objectives.. I can

tell you that except for those two cases which I have mentioned there were only two or three other cases in which we established that authority had been exceeded. Some are still under investigation, and in most of the cases it was found that this had not occurred. That is exactly why we formed a joint team within the SSUP, the Serbian Republic Secretariat for Internal Affairs, and the Kosovo Provincial Secretariat for Internal Affairs whose task it is to study every complaint about the behavior of members of the ZOM and district agencies and to propose measures and inform the public. I repeat that in every case in which we establish that authority has been exceeded legal measures are taken against the perpetrators, since this is in the interest of this society.

In answer to your question, I cannot tell you the exact number of those sent back for reasons of health, since I really do not have those figures at this moment. However, since we do change personnel relatively frequently, there are not many who have been sent back for reasons of health. As for the injured, only those who received injuries requiring that they rest and receive treatment have been sent back. We do not pay attention to less serious injuries, and the policemen who are injured continue to work. But the living and working conditions are very difficult. The accommodations are not good. Sometimes as many as 100 of them sleep in the same room and conditions for personal hygiene are minimal. They are working constantly in shifts both day and night, and the jobs are strenuous and involve great physical and mental strain. What is more, a large number of policemen have come to Kosovo several times in recent years under these difficult conditions. All of this is terribly exhausting, both physically and mentally, and everyone is not able to take it the same way. There have been cases of mental disturbance, though not many, and for that reason a certain number of people were sent back to their original agencies, above all as a preventive measure.

We hope and anticipate that the situation in Kosovo will gradually stabilize and that there will accordingly be a gradual reduction of the number of personnel of the Joint Detachment, which in lower strength, together with law enforcement agencies in Kosovo, would perform security tasks, above all to protect the personal safety and property of citizens of all nationalities right up until that moment when the presence of the Joint Detachment is no longer necessary. No one awaits that moment with greater impatience than we do, and we will do everything in our power to bring those conditions about as soon as possible.

#### **"Yugoslavia in the Small"**

As we entered the headquarters of the Joint Police Detachment of the SSUP at Ajvalija near Pristina, we recalled with a bitter smile that trite agitprop phrase about "Yugoslavia in the small" which some newsmen still use to describe the composition and the supposed atmosphere in certain similar units, especially in the YPA [Yugoslav People's Army], with "soldiers from all

our republics and provinces." That is, the ZOM really is "Yugoslavia in the small," but the kind of Yugoslavia that exists today.

Nedeljko Vukovic, commander of the staff headquarters, tells us that he is "provisionally representative of the SSUP and Serbian Republic Secretariat for Internal Affairs on the staff, since his regular employment is as assistant secretary (for police) in the Belgrade City Secretariat for Internal Affairs." His deputy is regularly from Croatia, and at the moment this is Milan Sladovic, whose regular position is chief of the opstina secretariat for internal affairs in Glina, who told us with unconcealed pride that "everyone likes him very much here," and in front of us the commander patted him warmly on the shoulder and said "This is our brother Croat!" with a smile beneath his black mustache.

Aside from the commander and his deputy, the staff consists of four assistant commanders (the fifth, Stane Kocijan, was withdrawn together with the Slovenian company): Sreten Gajic (Bosnia-Herzegovina), Branko Mitev (Macedonia), Milos Zecevic (Montenegro), and Steva Radovanovic (Vojvodina). Sadrja Godavci, assistant provincial secretary for internal affairs of Kosovo, takes part in the work of the staff in situations when there are special and intensified activities. "Yugoslavia in the small," the poet would say, but in the case of the ZOM there is yet another reason for saying this:

Many people in the news media, with their differing interpretation of events related to the ZOM, have given the public the impression that individual members of the detachment have reacted differently in the same or similar situations, according to their nationality, that is, according to the republic from which they have come. What is more, Academician Ajeti and Dr. Cana testified before the (now dissolved) Committee for Protection of Human Rights and Democratic Freedoms in Zagreb that "the most brutal policemen were from Serbia, Montenegro, and Macedonia." At the same time, the Belgrade publication INTERVJU reports that the Kosovo Provincial Secretariat for Internal Affairs "is having more and more problems with policemen of Albanian nationality who are refusing to perform their duties in interventions against the demonstrators."

"I understand you perfectly," the commander says, prefacing with those words his answer to every one of our questions and giving us that look he has of the knowledgeable judge of the situation. "You see, during those 20 days or so which were the entire time the unit from Slovenia was here that first wave of demonstrations occurred, which was the largest and fiercest both in the number of demonstrators and in the attacks on the policemen. During all that time, I am telling you that you could have objectively recorded the behavior of that Slovenian unit of special police and you would have seen that perhaps, it is true, they operated with better synchronization and more organized than some other police unit, but quite certainly not more moderately, more gently, or more restrained and with less repression. Do

not be offended, but I assert with full confidence that brutality of behavior cannot be attributed to a single unit here, regardless of the republic or province from which it came."

The commander explains that he himself is "from a region where the worst thing you can say about someone is usually that even the children throw stones at him. Those are humiliations experienced by the policemen of the ZOM in Kosovo almost everyday."

"Those people who talk about the repression and brutality of the detachment frequently want to compromise it so that the university students and workers would demand the departure from Kosovo of those Slovenes, Croats, and Macedonians, since, in their eyes, they are all but conquerors, not to say oppressors. Those who say these things, either naively or maliciously, are thereby only inflaming and worsening the situation and ethnic enmity. But just let you and me dress up like ruffians, if not ragamuffins and beggars, and let us go anywhere from Triglav to Djevdjelija and just throw one stone on a policeman, and you will see what happens! If we do not get beaten up and do not receive a heavy sentence, I will hang myself! And we have had stones falling here like rain with 150 policemen injured by stones. And more than 100 shots have been fired on them."

We told him about the mental conditioning which the special forces go through in schools of the Croatian Republic SUP [Secretariat for Internal Affairs]: Their younger colleagues from the secondary school of the republic SUP act as demonstrators or aggressive supporters, throw stones at them and plastic bags of water, shouting at them "Faggots! Shitheads! Gypsies!" and the special forces move on them in battle order, dispersing them with riot sticks and water cannon, with special vehicles.... But we must agree with commander Vukovic that "an exercise is one thing and this in Kosovo is something else!"

"I understand you perfectly," he says. "But there are not very many members of the special forces in law enforcement agencies. In every republic or province, roughly speaking, for a total of 10,000 or 15,000 policemen there would only be 50 or 100 members of special forces who have been chosen for their exceptional mental and physical characteristics and trained for exceptional physical and mental stresses, so that they can take anything."

Vukovic says that the Joint Detachment numbered about 900 policemen on 20 January, almost 5,000 during the fiercest demonstrations, and now about 2,500. In that number, only 100 are from SR Croatia, and there were not more than 40 from Slovenia. So that those units could in fact have been made up mainly of members of the special forces.

"Unfortunately," Vukovic says, "in the republics which have borne the greater burden in the number of policemen sent there have been cases when we received policemen who should not have been sent to such serious and complicated tasks if any serious, but not very strict,

criteria had been applied. For example, we seem as it were to have come to the end of a cycle, a majority of policemen have been here during the past year, so that it finally came the turn of those who are not really reliable, those who have even been punished, regardless of what small, serious, or minor things they did, in their district agency, wherever they came from, some of them because they left their post, others because they might have gone to sleep, someone because of a slight abuse of his authority, and so on.

"It is beyond any doubt that policemen, just like any other occupation, come from the environment where they live and work and share the habits and customs and all the rest of that environment, and I am referring to the customs of that environment in its work, its civilization, its culture, and so on. There is no doubt whatsoever, I don't want to conceal anything at all, that the policemen from Slovenia were highly disciplined, exemplary in many respects, as were the policemen from Vojvodina, and quite certainly those from Croatia, but there is no doubt at all that there has been a greater deficiency of this kind of discipline and external behavior, for example, in the policemen from Bosnia or Serbia, and to some extent the policemen from Macedonia and Montenegro. I even said in a press conference that the reference was to policemen who embezzled, to use a word that perhaps comes closest to the legal expression, those two rings and that the reference is to a Muslim, a policeman from what I will call the Bosnian SUP.

"But we were very much surprised, since it was the last thing we expected, when a policeman from our own, and I intentionally say our own Croatian unit in Gnjilane, who two evenings ago, on the eve of departure, when they had a fine party there, a farewell gathering attended by quite a few people, certainly including the deputy commander, anyway a policeman stole more than 1,000 bullets, both rifle and pistol, from his fellow policemen in the Croatian unit. There is no doubt that we did nothing by way of checking or punishing him except, once this was reliably established, his weapon, which had been packed away and concealed, was found and detected, and was taken away out of a desire and intention to prevent him from possibly attempting to take his life when he realized the gravity of his act or his mistake. For the moment, we firmly believe that he had the firm intention of relinquishing those shells, and one can say of selling them, to a policeman who is an Albanian in a district agency of the SUP in Gnjilane. At this point, I will not go into the effort made to recruit him, the extent to which he was naive and deceived, and into what the intentions of the two Albanian policemen were. I tell you this because we have no reason whatsoever to conceal any of our troubles and misfortunes in any way whatsoever...."

After he talked to us at length about the well-known examples of exceeding authority, especially about certain policemen who had "previously braced themselves with alcohol," we asked whether there was alcoholism in the Joint Detachment and what was being done about it?



"It is no secret at all that members of other occupations, if they are difficult, are inclined to alcohol, especially pilots, often drivers, sometimes even physicians, since there are times when they take a shot to calm their nerves and perhaps another glass or two.... I am convinced that there is hardly any police department which has not expelled one of its personnel because of behavior, and that behavior is largely caused by the use of alcohol. For example, you will have no problems whatsoever obtaining figures here in the Kosovo Provincial SUP or the SUP of any republic for, say, the past year, and you will find that 10 or 20 people have been expelled from the work community of that secretariat, here I am speaking in rough terms, and some of them were discharged for behavior succinctly referred to as harmful to the reputation of personnel of law enforcement agencies, which in most cases is alcohol related. Even we in this situation have had individual policemen sent back because we judged and noticed that they were inclined to alcohol probably because of their psychophysical constitution, probably more here than in any other republic they might have come from, and they had to be sent back for that reason. Even the young man who wanted to take those two rings represents something similar, although not to such an extent, there have been policemen from the same republic who braced themselves a bit with alcohol, such as the one who fired on the mosque. The report from the commanding officer of the battalion headquarters in Urosevac states that he had consumed alcohol before that.

"So that you might understand me, in a number of our meetings with battalion commanders and in a number of telephone conversations they have been warned, they have been strictly warned, to prevent the use of alcohol. The last work meeting that was held in this room, and a week before that I had managed to obtain two pamphlets on the harmfulness of alcohol from the appropriate structures, it does not matter whether it was the army or the chauffeurs' society. I passed out a decent number of them, say a dozen or so, to all battalion commanders to that they would have something to read and could familiarize themselves, since this struggle and preventive campaign against alcoholism, which is more than just an action, is very important, and it would be good if it embraced broader structures and were not confined to situations like this nor only to policemen."

Milan Sladovic, deputy commander of the ZOM staff headquarters, was aboard the helicopter said in the reports to have been "damaged by a bullet." That was his baptism under fire. He tells how the helicopter was flying low, on a "field tour mission," when he saw someone shoot from a walled-in courtyard. "From the flash of fire from the muzzle, I concluded that it could have been a carbine, it certainly was not buckshot, since you can see quite well where the bullet entered the helicopter from below." Actually, during the flight they did not even know that the helicopter had been hit, and the hit in the lower part of the tail was discovered only later. Both he and the commander of the staff headquarters cited a number of individual cases when policemen had managed to refrain from the use of firearms even when they had been fired on from the crowd of demonstrators.

"Firearms were not resorted to against the demonstrators even when there was firing from the crowd. It really is difficult to say where those shots went. However, there were so many that some of the shots found their target, since we found bullets in the bulletproof vests of several policemen. And in Djakovice a man killed a policeman in a bulletproof vest with a pitchfork, and when he was arrested a pistol was also found on his person. I guarantee you that firearms have not been used except in cases when the conditions called for it. If there was any case, that is the material being studied by the Commission of the SSUP," Milan Sladovic said.

Speculation about children is also a part of the Kosovo propaganda war—some people say that the police are firing even on them, while others say that the cowardly demonstrators push the children out in front of themselves, so that they fall as innocent victims.

"I agree that it is not justified to shoot in such situations, but now I would ask you at what point do you think we should be able to shoot? After all, by all appearances it seems that we would be able to shoot when we had found the person who had shot at us, and if at that point, when we find him, he raises his hands in the air, then even then we cannot shoot, since the 'active attack has ceased.' In actuality, this is a formula for the death of I do not know how many policemen, since we are talking about a crowd of people. I am sorry from the depth of my soul, since it is most likely that the victims were innocent people who had been led astray. I am sorry about that, I have held I don't know how many meetings with all our comrades in those battalions and platoons, we are doing everything, we are working day and night to minimize that, and the federal secretary for internal affairs has warned us in the staff headquarters at least six times by telephone and telegram, and we in turn the battalion commanders, not to use firearms, even if it means loss of life. However, the situation determines how a man will behave. The two of us sitting here now can talk the subject up and down as to how it might be, but that real situation can only be experienced."

Since on the one hand there are so many demonstrators and "passersby" killed and wounded, while on the other not a single policeman was killed in the demonstrations in January and February 1990 (but "more than 100 shots were fired at them"), it sounds out of place to talk about the human rights of the people in the blue uniforms. Nevertheless, even that is an issue that cannot be avoided.

Not a single organization for the protection of human rights (for example, the right to life) has so far questioned the provisions of the Law on Internal Affairs whereby the "authorized official" is required "to perform functions within the jurisdiction of the republic secretariat even in a case when performance of those functions endangers his life" (Article 30).

"Before using firearms, the authorized official must warn the person against whom he intends to use them and frighten him by shooting in the air, if this is possible



in the given situation," states the law, leaving it to someone else to judge whether this is (was) "possible" in each "given situation."

And finally, even in cases when "in the given situation" it really is not possible "to warn the person against whom one intends to use the firearm and to frighten him by shooting in the air, in using a firearm the authorized officials must protect the life of other persons (...), they must act so as to first use the less severe means of coercion with which it is possible to achieve performance of the official task" (Article 171). In using firearms, then, the policeman could shoot so as to only wound the person (for example, in the leg), but not to kill him at once.

Unfortunately, all the circumstances of each specific case which, when official authorization is exceeded, judicial panels consisting of professional judges and lay judges debate in court proceedings must be examined by the policeman himself in the specific life situation, "in the given situation," and he must make rapid decisions.

Policemen also take an oath similar to the one taken by recruits when they enter the YPA, in which they "make a solemn commitment" that "if necessary, they will give even their lives."

Judging by the balance sheet of the most recent casualties in Kosovo, this does not seem to have been "required" of the policemen in any of the cases in which so many demonstrators were killed and wounded.

#### Most Recent List of Persons Killed During Demonstrations in Kosovo

1. Qamil Morina (19)	Lodja—Pec
2. Ragip Hasanmetaj (23)	Streoc—Decane
3. Sadik Malaj (23)	Stanovac—Vucitrn
4. Sadri Maksuti (48)	Popovo—Podujevo
5. Bekim Sejdiu (15)	Kosare—Uroševac
6. Hysni Mazreku (17)	Malisevo
7. Resat Ymeri (21)	Gnjilane
8. Fadil Talla (25)	Podujevo
9. Ilfete Humolli (17)	Donje Ljubce—Podujevo
10. Enver Morina (23)	Cikatovo—Glogovac
11. Sahit Shala (25)	Krajko—Glogovac
12. Xhevat Hoxha (24)	Djakovica
13. Fatmir Kerleshi (24)	Djakovica
14. Gani Daci (22)	Naberdjan—Pec
15. Ali Hasvukaj (19)	Cisk—Pec
16. Rexhem Alija (43)	Uroševac
17. Fatmir Ukaj (18)	Pec
18. Agron Fetahu (24)	Celina—Orahovac
19. Halim Hoti (29)	Velika Krusa—Orahovac
20. Nesim Elsari (28)	Nagavce—Orahovac
21. Hilmi Krasniqi (41)	Mala Hoca—Orahovac

#### Most Recent List of Persons Killed During Demonstrations in Kosovo (Continued)

22. Xhevdet Breznica (22)	Dobraje—Lipjan (Magura)
23. Ali Kryeziu (28)	Dubavec—Malisevo
24. Riza Morina (24)	Cikatovo—Glogovac
25. Shani Morina (22)	Cikatovo—Glogovac
26. Islam Morina (31)	Topanica—Kamenica (Bujanovac)
27. Melit Kryeziu (32)	Suva Reka
28. Rexhep Braha (42)	Suva Reka
29. Arsim Abdullahu (17)	Mazrek—Malisevo
30. Ali Tafa (34)	Crnolevo—Stimlje
31. Rasim Maliqaj (47)	Beleg—Decani
32. Syle Ukehaxhaj (49)	Crnobreg—Decani
33. Osman Vokshi (66)	Pec
34. Selman Vojvoda (22)	Lausha—Srbica (T. Mitrovica)
35. Enver Ramadani (17)	Stubline—Gnjilane
36. Abaz Ibrahim (17)	Titova Mitrovica

Source: Committee for Protection of Human Rights and Freedoms in Pristina

#### Survey of the Consequences of the Demonstrations in January and February 1990

Demonstrators killed	28
Demonstrators who later died	3
Total loss of life	31
Total demonstrators wounded	116
Seriously injured demonstrators	30
Demonstrators with light injuries	22
Passersby injured	58 (14 of them seriously)
Policemen wounded by firearms	3
Seriously injured policemen	5
Policemen with minor injuries	158
Buildings or structures damaged	157
Socially owned	64
Privately owned	93
Motor vehicles damaged	157
Socially owned	70
Privately owned	87
Vehicles of law enforcement agencies damaged	98
Automobiles and jeeps	82
Trucks	3
Water cannon	2
Assault vehicles (armored combat vehicle and TAB)	5
Other vehicles	6

Note: A bullet damaged one helicopter.

Source: Official Data

**Map Caption**

The Joint Police Detachment of the Federal Secretariat for Internal Affairs [SSUP] contains seven battalions in all since two Pristina battalions were merged to form one. These battalions, that is, their battalion commands or staff headquarters, are deployed according to the organizational scheme of security centers in SAP Kosovo: the battalion in Pristina consists of police units from SR Serbia and SR Bosnia-Herzegovina and "covers" the area of Pristina, Podujevo, Kosovo Polje, and surrounding villages. Units of the Joint Police Detachment of SSUP from SR Serbia are deployed both in the battalions at Pec (Decani, Klina, and Istok) and then in Prizren (Prizren and Orahovac), where policemen from the Belgrade City Secretariat for Internal Affairs are stationed, and in Gnjilane (Gnjilane, Kosovska Kamenica, Vitina), where there is also a company of some 100 policemen from SR Croatia. The battalion from SR Montenegro is located in Djakovica, the battalion in Urosevac consists of policemen from SR Macedonia, and in Titova Mitrovica there are policemen of the ZOM from SAP Vojvodina. One month ago, members of the ZOM of the SSUP, together with police from district law enforcement agencies, were placed under unified command in those seven security centers, which are under the direct command of the staff headquarters of the Joint Police Detachment of the SSUP at Ajvalija, near Pristina.

**RILINDJA, JEDINSTVO Reporting on Kosovo Contrasted**

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[Article by Ines Sabalic: "Profession Was in Another World"]

[Text] In Howard Hawks' classic film "His Girl Friday," there is a scene that captures an entire profession: A small group of gentlemen of the press enveloped in tobacco smoke and alcohol fumes, are passing the time playing cards, while in the next room a jury is deliberating whether to acquit or give the death penalty. "What kind of people are you!?" asks the defendant's shocked wife. "We are not people," a reporter calmly explained. "We are newspapermen."

Probably because of that definition of the profession, Kosovo fills the newsman's bloodstream with an energy and excitement difficult to resist. And every newspaperman will sooner or later describe the "Grand Hotel." It should be said that in Kosovo recently a little cafe called "Casablanca" has sprung up in every town of any size, but no one can deny that the "Grand" had that mythical name first. A year ago, VJESNIK's correspondent in Pristina introduced me to the scene and told me that it was a place where one could buy anything that is sold: from Japanese yen by way of oriental beauties to automobiles without papers. But the most important thing for a newspaperman is how to obtain information,

and at the "Grand" it is within reach if a man knows how to take it. The hotel has an established ritual which everyone respects: newsmen's rooms are searched, cassettes are listened to, telephone conversations are bugged, notes are read, and films are exposed—just as soon as the comrades "doing their job" get a chance. At the "Grand," one strikes up acquaintances which otherwise would be impossible. One evening, a very highly placed figure in the federal police detained me over coffee with the words: "So sit down, you have time." One might debate whether a man can refuse coffee in such a situation. Very young, very quick, acute intelligence, extremely well informed, very dangerous, he laughed heartily when I said that I had a newspaper pass to go out after curfew. "But I can rescind it on the spot!" he explained with logic. Then he personally escorted me to my friends and along the way, now without a trace of a joke in the lilt of his sentence, he said that he reads START, that the situation in Kosovo is very difficult and complicated, that passions are overheated, that there has been quite a bit of philosophizing and that one should write responsibly. I received similar advice the next day from an Albanian intellectual. In the first case, I made no comment; in the second, I said I would appreciate it if I were not given any more suggestions of that kind.

"It seems to me that you are all exploiting us," I was told by a student from the Initiative for a Youth Parliament. "You exploit our lives for your stories, our tragedy for your circulation." True, but the paradox of the situation is that Kosovo also consumes the journalist.

Regardless of the personal charm of the high official with whom I am talking, since my experience in Kosovo in February, when I personally saw many cases when the police exceeded their official authority, I would never, given the choice, choose the company of those whom I consider deep down to be responsible. But the profession truly does demand that a newspaperman offer everything he has—all his abilities, perceptive capacities, emotions, concentration, and skill—as a filter through which he will attempt to offer the most objective possible view of a dirty little war. We come back home tired, spent, shocked, aware that there is no chance of fully conveying everything we have seen. We come and we go. When we are there, we want to be at home; when we are at home, we want to be there.

There are newspapermen who decided to spend their year of living dangerously in Kosovo. One of them, a very able reporter from the northwestern part of the country, lives in the Vranjevac neighborhood, sleeps in a hole which can only very benevolently be called a "room," where the temperature is minus five Celsius. But Vranjevac is a part of Pristina which pulsates with its own particular restless rhythm, where people live who have nothing to lose and where during the demonstrations even the federal police do not feel comfortable, is the safe address of my colleague's photo lab. He is known to everyone in Vranjevac—but it is certain that a search will never be carried out in his hole. This young 26-year-old has changed completely in the few months he

has lived in Pristina. He has an exceptional newspaperman's sense; today he takes pictures only of tragedy, and at that he has become a past master. When he laughs, his regular white Slovene teeth show a defect—he lost one upper left covering a rally in Kosovo Polje. That young man is challenging fate—until recently he drove a car which had no back seat, whose doors could not be closed all the way, whose lights and direction signals did not work, nor the brakes—which is particularly awkward when a police patrol expects you to stop at once. He took me on a walk through Vranjevac—this is where the tires burned, they will turn this car over if they have to, this is where they fired, here they lobbed the tear gas.... In Vranjevac, they affectionately refer to tear gas [in Serbo-Croatian "suzavac"] as Suzy. This young man is not interested either in drinking or girls—all of this would distract him from his job, which he does from morning to dark: "What kind of a time did you have?"

"Super, with Suzy in Vranjevac."

But the journalists who have come to Kosovo, who come on their own initiative, are all a bit crazy anyway, so one should not be too fascinated by this. This journalist living underground is a professional at his job such as one rarely meets. Nevertheless, if he wants, he can leave whenever he likes. But the newspaper people who are based in Kosovo and who do their job in the local media have no choice at all. Those of us who come from the big papers get briefings from our colleagues depending on where we come from. A journalist from POLITIKA, for example, will not even stick his nose in RILINDJA, but because my topic is newsgathering in Kosovo, I spent several hours talking to the journalists at JEDINSTVO. The way in which the same event is interpreted in the Serbian-language and Albanian-language media can sometimes be so different that one actually must ask whether they are covering the same event. In Kosovo, many things go in pairs: RILINDJA and JEDINSTVO, which sounds a bit like brotherhood and unity [bratstvo i jedinstvo], they go together like Boro and Ramiz, who allegedly died together, but today they refer to a pastry shop where the Kosovo "alternative" and rock music fans gather.

At one time, RILINDJA and JEDINSTVO were insignificant provincial papers that passed on the official positions of the provincial committee and in which readers' letters, just as in any provincial newspaper in the world, informed the public about how someone's cow had died or how a postman had managed to deliver a package to a village after superhuman efforts. The television schedule was properly and fraternally divided up so that programs in the Serbian, Albanian, Turkish, and Romany languages each had their allotted minutes, and the radio broadcast the special requests of a listener when he was being drafted into the army.

A special medium—the walls where slogans are scribbled—had not yet been invented. Bumper stickers with the PLAYBOY Bunny, whose raised ears resemble a V for victory, were not yet being pasted on cars. Today, the

slogans have become rhythmic and sarcastic: O Azem, o tradhetar, Ty te mbrojme se je Sqiptar. "Oh, Azem, you traitor, we are defending you because you are an Albanian." "This means," a student explained, "that poetic justice has been served." So, where journalism has been slipping, graffiti art has profited.

Today, only Radio Pristina's Serbian-language Second Program has remained provincial and tongue-tied; it recently wanted to withdraw and become a separate enterprise, "since the people did not want to stay in the same enterprise with the irredenta," and in protest it went on strike with radio silence for several days. But recently it began broadcasting again, so that now it offers an inexhaustible occasion for cynical smiles of newspapermen from the northwestern parts. It is hard to say which they prefer to listen to: culture programs which say that "today in Kosovo great pictures, poems, novels, and books inspired by the quivering land and sky of Kosovo are taking shape in the heads of many artists" or programs where listeners call in. I will never forget a conversation on the call-in program "Reporter 549." These days, when many citizens in Pristina have been lighting candles for the victims of the violence, one listener called in and accused his "neighbor of a provocative act because he had lit a candle in the entrance to the house, in a settlement where the majority are Serbs and Montenegrins."

RILINDJA's circulation has grown from 15,000 to 50,000 since Nazmi Misini became acting editor in chief two months ago. For months before that, the Albanian public all but scorned this daily paper. "Just give me one copy of Tanjug in Albanian," they would say at the newspaper stand. Misini came from the "structures," he is a member of the provincial committee, but since he worked for years as a newspaperman, he was acceptable both to the editorial staff and to the forums. This is how he sees RILINDJA now: "This ought to be a newspaper that provides objective and serious information, without euphoria, without a display of the personal political interests of the reporters, who should report the real news, without twisting it, and without belittling any nationality or ethnic minority. RILINDJA should say only what is the truth in its reporting. The truth should be its lodestar."

Nevertheless, it is not easy to carry out that kind of task, stated as it is in firm journalistic principles. Recently, since Nazmi Misini's arrival, RILINDJA has been criticized for writing too much about protest rallies, for going into details in descriptions of protests, for giving too much space to possible cases of exceeding authority by the Joint Detachment of the Federal SUP [Secretariat of Internal Affairs], and we can expect official announcements. Misini has responded that it would be easiest if there had been official announcements, but there simply had been none. The editor in chief says that up to now not a single case published in RILINDJA has been denied. He reflects that perhaps the official authorities have not had the time to issue official announcements, but he wonders what, then, they are supposed to do as

journalists. "The task of a newspaperman is to go to the place of an event," he is convinced. "The task of a newspaperman is not to be emotional, but to report the story. So we will try to provide as little emotion as possible and as many of the facts as possible." RILINDJA has been reproached for giving too much space to the alternative. The editor in chief responded by saying that in future he will continue to give space to the alternative, as much space as is needed to cover the news. "We do not pin on the labels, we are not supporters, we are covering the news."

The days following the strike of the miners in Stari Trg were the most difficult ones for the RILINDJA reporters. That is, seven months after the strike an official assessment of that event arrived as the basis for the political-ideological differentiation. Some 33 newspapermen were disciplined with various measures, and Zenon Celaj, a reporter, ended up with 11 days in police custody for reporting that the wife of a miner at Stari Trg had died. That report was untrue, but Celaj did not even write it. But since he was present when the report came in to the paper, he did say that he would vouch for the text, although he was not the author. It should be said that he is also a witness in Azem Vllasi's trial, and that his own trial is not over. There is no point in even asking whether one of the things that Zenon Celaj's professional destiny will depend on is the way he testifies concerning Vllasi.

As for the Vllasi trial, Rajko Danilovic, the lawyer, thinks that it has been utterly forgotten by the media. "In the end, as it was announced at the beginning, only the newspapermen from RILINDJA and JEDINSTVO stayed to follow the trial. Thus, the report that the crown witness admitted that he was a false witness, that the trial had actually been rigged, was published only by RILINDJA," Danilovic says.

I have had occasion to see a translation of the report from the trial published in RILINDJA. This is an example of highly professional journalism; it describes the event in appropriate restrained language and could be printed in any newspaper in the world. Veton Surroi, the newspaperman, who now is an exposed activist under his third suspension (this time because he agreed to see both Yugoslav and foreign newsmen, and he caused a disturbance in the newspaper office), believes that a certain pressure on RILINDJA helped it to be transformed from a provincial paper in which impressions and poetic pictures predominated into a solid and quality daily newspaper.

The example of the differentiation of Zenon Celaj is the most drastic on RILINDJA. His colleagues looked on when they came to pick him up at the RILINDJA bar, which is next door to the newspaper, and they told him: "Fine, we will not put the handcuffs on you, but if you try to run, we will kill you." From one Tuesday to the next, which is when the Commission for Information of the SAWP [Socialist Alliance of Working People] meets, a newspaperman has a chance of being differentiated. And to be a "differentiated newspaperman" means not

having the right to cover one's sector, to write on that topic, to go into buildings and forums where previously you could enter freely because of your job. A differentiated newspaperman is given the harmless areas to cover; the newspaperman, for example, who covered the party will in future cover the health service, the infrastructure, or agriculture. Every day the RILINDJA collegium meets at 1300 hours. There are even fines on the newspapermen: A minor transgression takes away about 30 points in the salary system, and a major political mistake about 100 points. Suspensions and warnings are also on the list of punishments.

At JEDINSTVO, the newspapermen have not been differentiated, because the criterion, as far as we have been able to understand, as to whether a newspaperman has been writing well or poorly is determined by official Kosovo policy. Since the writing in JEDINSTVO is in line with that problem, there are no problems of that kind. But Anka Cvijanovic, deputy editor in chief (there is no editor in chief, since that position is in principle performed by the JEDINSTVO director), says that she remembers well the days when "the phones would ring" and politicians would suggest topics, headlines, and the selection of photographs. She also remembers the time when Azem Vllasi, two days before the ceremonial New Year's issue, withdrew the interview he had promised and sent instead an article about the current Kosovo situation. The trouble was that the same article was sent to RILINDJA, which published it on the front page, while JEDINSTVO did not, and Anka Cvijanovic was called in for conversations on that account. She also remembers that Kaqusha Jashari called her in for conversations together with the former editor in chief, now deceased, who at that time was incurably ill, demanding a public apology from the JEDINSTVO reporter, since in her opinion his comments on a section of her speech had been poor.

But in the last two years, she says, the situation has changed, and JEDINSTVO has become a prestigious daily newspaper, to be sure, with a circulation that does not exceed 7,000 copies a day, but that must be judged in the context of the competition from newspapers published by the Politika Publishing House. She also says that not a single article in JEDINSTVO has ever been denied. The newspapermen of RILINDJA and JEDINSTVO are almost all politically committed: almost all at JEDINSTVO: Radoslav Zlatanovic, a poet and author of the "Hymn in the Open Air" about Milosevic's visit to Kosovo Polje, is a member of the Committee for the Truth About Kosovo and an official in the Socialist Alliance; Mirko Cupic, whom the editor singles out as the most prestigious newsman on the paper, is the committee's vice chairman; Nikola Savic is executive secretary of the Kosovo LC Provincial Committee; and the career of Zivorad Igic, previously a journalist at KOMUNIST, has taken off like a rocket in the last six months—from editor in chief of JEDINSTVO, then member of the Kosovo LC Provincial Committee, and now president of the Kosovo SAWP. All the better

known newsmen at JEDINSTVO are active in the Kosovo Polje movement, and the vice president of "Bozur" is Rade Tomic, a newsman at Radio Pristina; but at RILINDJA, on the other hand, only three people stand out—Zenon Celaj, who is a member of the Committee for Protection of Human Rights, Veton Surroi, who is president of the Pristina Chapter of the Association for a Yugoslav Democratic Initiative, and Jusuf Buxhovi, who is a member of the leadership of the Kosovo Democratic Alliance.

They say at JEDINSTVO that their mutual relations were good until February, when the RILINDJA newsmen stopped saying hello to the JEDINSTVO newsmen, but until then "they had been civilized." One colleague from RILINDJA says that journalistic solidarity still exists in their relations. Once when a RILINDJA newsman was reporting from Kosovo Polje, an angry speaker asked: "Are there any Skipetars here?" The JEDINSTVO newsmen, who were sitting with the RILINDJA newsman, said nothing. Sometimes, when they are attending the meeting of some forum, they will exchange information and take notes from one another. This does not, of course, apply to editorial comments. For their part, the JEDINSTVO newsmen say that it is very difficult for them to cover the protest meetings of Albanians. "As soon as you do not speak Albanian, it all changes. I go there and I keep my mouth shut tight. Of course, I am afraid. Even if you were armed, it would not help," says Nebojsa Djukanovic, a JEDINSTVO newsman. However, although RILINDJA is sometimes described as the "long arm of the irredenta," and

although JEDINSTVO is quick to use political terms like "terrorism," so far there have been no exchanges of insults between the papers.

The case of differentiation, that is, of the professional and human destiny, has been much more difficult for the newsmen of the Albanian-language program of Television Pristina. The grounds on which the editors and newsmen were given party penalties and warnings and suspended for several months are so benign that it is comical to enumerate them. Editors and newsmen have had their titles taken away, they have been reassigned, political-ideological measures and suspensions have been pronounced. Prestigious anchor people of news programs and political listener-participation programs are at best moved to the foreign policy staff or they edit Tanjug reports. The turnover of editors has been high, since every new one considers it his professional duty to cover the news. The case of Radio Pristina's Albanian-language announcer shows that this can sometimes be unpleasant; having seen an official document, he read the news item to the effect that a majority of RILINDJA newsmen had turned in their party cards. The announcer was suspended, and RILINDJA newsmen say that they "trembled for 24 hours not knowing whether they would be arrested." The fact that they were not, says one, can be explained only in terms of the slowness of the government apparatus.

It will be interesting now to see how the Albanian-language and Serbian-language newsmen cover the filing of charges against Zekeria Cana, prestigious alternative, president of the Association for Human Rights, for allegedly providing false information about victims in the Kosovo disturbances of possible cases of overstepping of authority by members of the Joint Police Detachment of the Federal SUP.

## YUGOSLAVIA

## Necessity of Supersonic Aircraft Stressed

90BA0054A Belgrade OSMICA in Serbo-Croatian  
15 Mar 90 pp 26-27

[Article by Borislav Vasic: "Does Yugoslavia Need a Supersonic Plane?"]

[Text] "Forage"—additional acceleration—has now been included among Yugoslav ambitions to build an airplane faster than sound. It is no longer just a question of the ambition of the YPA [Yugoslav People's Army] to furnish the Air Force an ultramodern airplane from domestic manufacturing plants, but of a project which can be freely called "one of the packages" of Ante Markovic's federal government. Thus, a favorite topic in interviews of Colonel General Anton Tus, commander of the Air Force and Air Defense, the Yugoslav supersonic airplane, has thus become a program which is a vehicle for the technological consolidation of our economy. That segment of the Yugoslav press which is inclined to caricature everything that comes from the military has been waging an outright campaign against this plane for almost three years now. Nevertheless, it is beyond dispute that in the meantime the project itself has gone through fundamental transformations and that today the Yugoslav supersonic aircraft can be looked at in a quite different light.

The model which still stands in the office of the commander of the Air Force and Air Defense (the first version of the supersonic plane) is no longer current. The airplane has been given the charm of the famous French design office "Dessault," the ambitions have been abandoned of "relying on our own resources" and competing against those who are most powerful in aeronautics, and the logic of producing for the world market and becoming a part of the international division of labor has prevailed over local aeronautic patriotism. These are all elements that suggest the need for rational reasoning (and judgment) concerning this airplane, instead of dividing the public into camps rooting "for" and "against."

"It should be borne in mind that the importance of the airspace domain has been growing steadily in the doctrines of the most advanced countries and that weapons with top capabilities, equipped even with elements of artificial intelligence—we are talking about the newest generation of aircraft—have a decisive role in present-day strategic conceptions and in the function of deterring aggression. We also have an indispensable need for such an airplane to defend the country, and we must either import it or produce it ourselves," Col Gen Anton Tus said in an interview with NARODNA ARMIJA and KRILA ARMIJE.

Pacifists will resort to the argument about the final "triumph of peace" in Europe, so that therefore no further armament, especially the most sophisticated (and expensive), is necessary any longer. Unfortunately, a

majority of the experts are more afraid of a "disturbed balance" than a "threat of mutual destruction." Thus, Army General Jean Fleury, chief of the Air Force General Staff of the French Republic, declared during a recent visit to Yugoslavia: "Yes, we live in Europe, which is changing overnight. I am happy about that process, especially since many countries are gaining an opportunity to decide themselves about their destiny. However, there is also the danger of upsetting the balance of power and we must be very vigilant. What are the prospects for state-of-the-art military equipment, including combat aircraft? We must realize that in all defense strategies the Air Force is an element of strategic importance par excellence. It is the only component able to guarantee speedy defense."

The leading world aircraft industries are working at the moment on the design of the fourth generation of aircraft, which are adapted to the requirements of defense in the first decades of the 21st century. These are the French "Rafale" (a prototype of which is already flying, and series production will begin in 1996), the European EFA [European Fighter Aircraft], the British BAe-EAP, the Swedish "JAS-39 grippen," and the American ATF [Advanced Tactical Fighter].... Aside from them, a large number of countries with a moderately developed aircraft industry are dreaming about their own national aircraft of the future. One such project is the Indian LCA (Light Combat Aircraft)—a light combat aircraft adapted to the needs of that nonaligned country.

On 25 December of last year, when Ante Markovic, chairman of the Federal Executive Council [FEC], visited the Aeronautical Engineering Institute in Zarkovo along with members of the federal government, including the federal secretary for foreign affairs Budimir Loncar, to examine in detail the program for development of the Yugoslav supersonic aircraft, defense of the skies was not the only reason. That is, the aircraft's development is related to the ambitions of the FEC concerning technological recovery of our economy, which is always getting out of breath with its race with the world. It is well known that all countries are using precisely programs of this kind to lift their industries up another technological step, and that precisely in the fundamental fields: electronics, robotics, systems integration, new composite materials....

"Meeting the requirements for development of a domestic aircraft with a high level of flight and combat characteristics presupposes assimilation of the most up-to-date knowledge and technology. This will undoubtedly guarantee conditions for raising the technical-technological and scientific level of the country as a whole and then provide employment for development capabilities and production capacities and a higher level of independence of our armed forces in their supply of up-to-date weapons. I would especially like to emphasize: our new airplane will be the most complex finished product of domestic science and industry ever achieved and an important initiator and generator of the country's technological development. Mastering it and developing

it will enrich domestic science and industry with more than 180 new technologies and will guarantee a leap from one generation to another in electronics, information science, biotechnology, as well as in the medical-biological sciences and many other fields. With respect to the complexity, multidisciplinary nature, and sophistication of the finished product and its importance to the country's development, our airplane is technologically the most important development program," Col. Gen. Anton Tus believes.

The new airplane is a question of survival for the Yugoslav aircraft industry. Had it been given up, the "Soko" Factory in Mostar, "Utva" in Pancevo, a part of the capacity of "Prva Petoletka" and a number of other factories and plants would have had no other choice but to make their capacities available at dumping prices for production of aircraft components for other countries. This is the minimum which can be extracted from the plants and personnel in which Yugoslavia has invested immense resources in recent decades. The Aeronautical Engineering Institute would have experienced a similar fate; it is thanks to designing the supersonic plane that it received a number of new laboratories, a system of wind tunnels (including one of the most up-to-date trisonic tunnels in the world), and computer systems for design and testing.... It has to be admitted that the domestic aircraft industry is not capable of developing an aircraft on its own, as the series of fruitless attempts best indicates. The dozens of agricultural airplanes, the ambitions to develop a domestic helicopter, a number of ideas about recreational aircraft—for the moment this is nothing more than a list of ambitions on paper. In essence, the designs done for the Air Force and Air Defense and the technologies which we purchased in packages in order to realize those aircraft types have been the driving force behind this industry. We have achieved the greatest success when we entered boldly into technological transfer. British technology was purchased to develop the "Galeb" and "Jastreb" aircraft, and the results were forthcoming. We had two successful models of aircraft, and we have sold 180 of them on the world market. Development of the "G-4 Supergaleb" and the "Orao" was based on what we had already assimilated, along with a new package of 41 technologies. It is the preparations for supersonic flight that have made it possible for us to equip ourselves for development and production of an improved version of the "Supergaleb," which with its improved electronics, the capability of using air-to-air missiles and composite materials in its construction, has broken through to the very top of combat training airplanes. Even the United States Air Force is interested in the "Supergaleb," considering it one of the best and least expensive aircraft for training pilots.

In all these phases, the slogan "Reliance on our own resources" means only optimization and wise application of knowledge that has been purchased. Only those countries which can allow themselves the luxury of investing between \$10 billion and \$30 billion in the new

"pride of our sky" can commit themselves to authentic development on their own. Many countries economically stronger than we are have given up their independent ambitions and decided to purchase aircraft. Yugoslavia has obviously committed itself to being the second link in the chain of one of the leading world producers.

Judging by the appearance and characteristics of the Yugoslav supersonic aircraft, the technological support would have been delivered by France. The design office of Serge Dessault, father of the famous "Mirage," would have offered us an opportunity to develop a less expensive version of the "Rafale"—intended for the markets of the developing countries.

Similar plans already existed with Indonesia, but that country committed itself to buying the American F-16 aircraft. In addition to Yugoslavia, India was also interested in French help and had also produced for its own purposes a light multipurpose fourth-generation combat plane. That is how we arrived at the France-Yugoslavia-India triangle. Aside from the technology, France is also offering a sizable portion of the equipment, which would be taken over from the "Rafale," as well as services in the marketing area. It is estimated that there is a demand on the world market for between 600 and 800 aircraft with characteristics similar to the Yugoslav supersonic plane and the Indian LCA [expansion not given]. India is one of the developing countries that has a solid aircraft industry, so that it would be cooperating with Yugoslavia in this venture on an equal footing. The problem is that up to now the Yugoslav supersonic aircraft and the LCA have been developed independently, so that aside from the similarities, there are also significant differences.

It is precisely to overcome those differences that the first steps have been taken. Nagendrom Nath, ambassador of the Republic of India to the SFRY, and Kapil Vij, that country's military attache, held a background conversation on 22 February with Anton Tus, commander of our Air Force and Air Defense, which was also attended by Major General Savo Pustinja, MA, director of the Aeronautical Engineering Institute. After they had been familiarized with our development program, the guests were offered cooperation, based on the assessment that the two aircraft industries have reached approximately the same level, that is, that all the conditions exist for joint development in the future. We certainly should add to this the fact that France is also interested in this as a country delivering the technological support. Thus, the first step has been taken with both sides judging that joint cooperation is "worthwhile and profitable" for both sides.

As this article is being prepared for publication, Indira Gujdrala, foreign minister in the new Indian Government, is making an official visit to Yugoslavia. Although there has been no official confirmation, there is reason to expect that the supersonic plans of the two countries will be mentioned under the heading "Bilateral Cooperation in the Economic Domain."

How much will the new airplane cost Yugoslavia? Judging by the price which Col. Gen. Anton Tus mentioned in his interview with NARODNA ARMIJA and KRILA ARMIJE, over the next 10 years between 1,800 million and 2,000 million convertible dinars (between \$150 million and \$170 million) would be annually allocated from the budget portion of resources earmarked for financing the YPA. To this we should add the resources set aside by the aircraft industry, a portion of which is anticipated from the successful sale of the "Supergaleb." Those investments would produce a multipurpose aircraft capable of performing as a fighter, fighter-bomber, and perform reconnaissance missions when special equipment is installed. The aircraft would be built on the basis of the demands of maximum maneuverability, which means that it would take the greatest loads and would have a high climbing speed and low turning radius. Up-to-date radar and the most up-to-date equipment for handling and fire control would be installed in it. Thanks to its development the Yugoslav aircraft industry would offer on the world market a well-rounded package of its aircraft—from the school bench to the most complicated military missions. In that package, the "Lasta" would be redesigned as a training plane, the new version of the "Supergaleb" would be a trainer-combat plane, the "Orao" would be an assault plane, and the "YU-supersonik" would figure as a fighter, fighter-bomber, or reconnaissance plane. There is no doubt that our airplanes would become much more attractive on the world market with the complete production program. Thanks to the experience that has been gained, our factories would be able to compete for very important contracts in the international division of aeronautic knowledge and labor.

When it comes to aeronautics, it is all politics. It is clear that production of the new airplane would accomplish a considerable integration of our economy from Triglav to Djevdjelija. It is no wonder, then, that the voices raised "against" it have been loudest in those regions that would like to be as far from Yugoslavia as possible.

[Box, p. 27]

#### Satisfied as an Engineer

"It is an exceptional initiative for the Federal Executive Council to be familiarized with this part of the activity of the YPA, which has not been sufficiently familiar to the public. One of the most important programs for equipping the Air Force and Air Defense is being carried out in the Aeronautical Engineering Institute so that the YPA can successfully perform its function in defense of the country. We are talking, of course, about a new combat plane. I am very satisfied with what I saw in the institute—both as an engineer and as a government official. An immense scientific potential is involved here. What we saw would have to impress any expert. It is a question of high-level integration of knowledge, and that potential must be committed both to development of the aircraft and equipment to meet the needs of the country's defense and also to the country's development. We have committed ourselves to the economic reform, to a sound economic system which will necessarily deepen political democracy. Our system must prove its superiority in terms of economic efficiency and political democracy. I am deeply convinced that programs for aeronautical development directly serve the development of the entire country and the program of reforms which the Federal Executive Council is zealously advocating," Ante Markovic said during his visit to the Aeronautical Engineering Institute in Zarkovo.



## CZECHOSLOVAKIA

### Transition Strategy to Market Pricing Discussed

90CH0048A Prague HOSPODARSKE NOVINY  
in Czech 30 Mar 90 p 3

[Article by Eng. Milan Zak, TES [expansion unknown]  
Prague: "Strategy of Transition to Market Prices"]

[Text] The change in the political climate of our country, awaited with much hope, also brought substantial changes in the way the role of prices in the national economy is viewed. The fundamental orientation to democratic relations in the society necessarily also leads to the democratization of the economy, and thus also to the revival of the traditional role of prices. The author is searching for an answer to the question how price is to be transformed from its role as an instrument of planned management to the basic element of a newly constituted market mechanism, and he puts forth for discussion a proposal for further procedures in the area of prices in the immediate future.

The current economic theory indicates that there is probably no other alternative for a realistically functioning market mechanism than the use of world prices. A majority of economists will agree with this statement. The problem arises when it becomes necessary to answer the questions "when" and "how".

In view of the economic program of the government the question "when" can be answered: as soon as possible. But the solution is not so simple. In the first place, an immediate transition to world prices is not possible because world prices for some products are unascertainable for our economy at this time, and moreover, for many reasons a direct transition to a qualitatively very different valuation of all kinds of goods would not lead to the hoped-for market equilibrium by any means.

Let us point out here at least some of them:

- In spite of the fact that for many years the influence of the market was rejected, the market inevitably asserted itself, albeit in a limited degree. In its own way it established certain domestic price relations which would be disrupted by an immediate implantation of world prices. A quick introduction of world prices would therefore divorce the domestic price not only from the real conditions on the production side (from costs), but also from the real demand by forcing on it outside conditions.
- The world market is not uniform in the vast majority of goods. The level of world prices is not the same for every importer or exporter. Individual countries apply various measures to regulate export and import, and prices in foreign trade differ according to the conditions of deliveries, nature of trade relations, conditions of payment, as well as differences in the internal economic systems of the producers.

For these reasons it can be deduced that however desirable is the introduction of world prices into the domestic economy in order to achieve economic balance, it is an act much more complicated than can appear at first glance. Therefore the answer to the question "when?" must be combined in a single answer with the answer to the question "how?"

In sum, therefore, we are talking about a strategy of transition to balanced prices using world prices. That means a broad incorporation of the Czechoslovak economy into the world economy. And in order for this incorporation to be of full value, it is necessary to create conditions in the domestic economy that would not only speed up this process, but also prepare the economy for an often negative impact, particularly in the social sphere. The base that must be built can be called the market base.

### Antimonopolistic Policy

Theory considers perfect competition to be the basic market condition. A market conceived this way is characterized as a group of economic entities mutually connected for the purpose of selling and buying certain goods. This perfect market is called a competitive market if it meets at least these conditions:

- First, the existence of such a structure of the exchange of goods where there exists a considerable number of perfectly informed and independent buyers and sellers—in other words, a market structure.
- Second, the existence of various forms of ownership, their separation, rise, and extinction.

We still have far to go to meet at least these basic conditions of a market economy. Competition practically does not exist, there is a number of production branches with only one monopolistic producer, and even where there are more producers they have agreements among themselves on dividing the market, which in reality is another manifestation of the monopolization of supply in our economy. Similarly, at present there are obstacles to the various forms of ownership, but fortunately today they have already lost their ideological justification and can be removed by legislation.

Creating a competitive climate in our economy depends on a number of legislative steps, and on the removal of the existing obstacles in the sense of the above mentioned requirements. The statement by the government that the fundamental reorientation of our economic mechanism will be put into law in the first half of 1990 is therefore of supreme interest. In connection with the legislative modification of economic activities, the government also formulated tasks which further detail its announced program and are summarized under the joint title "Economic Strategy". This economic strategy is basically a concept of the transition of the Czechoslovak economy to a market economy, and the time for constructing these concepts is the period between February and May 1990. At issue are, for example, the creation of

a financial market, concept of a state antimonopolistic policy, and the reform of the state and cooperative sectors.

It can be said, therefore, that the basic steps toward the transition to a market economy have been taken. What their practical implementation will depend not only on the perseverance of the decisionmaking central sector but also on every producer and consumer. I will now try to analyze some of the specific problems of the transition. These will be the problems:

- Demonopolization and creation of competition.
- Questions of opening the economy to the world.
- Questions of ownership.

By demonopolization we mean creating such market conditions that would be consistent with the requirement to create competition. The system of planned management of our economy has been building the current monopolistic structure of our economy throughout all the phases of the past 40 years. Not even the steps toward economic reform in 1989 ended the monopoly, on the contrary, they strengthened it. Monopoly on the production side originated during the initial phase mostly as an administrative monopoly, but because of the inconsistency and poor management in the center, monopolies were created in later years for economic reasons, and they were so strong that they manipulated the center according to their own ideas. This situation is perhaps most striking in the machine tool industry. The evidence from the machine tool industry branches at the beginning of the eighties (altogether 167 selected branches from 311-565 JKPOV) shows the monopolistic status of the key producer:

Share of Production Made by Key Producer		
	Number of Branches	Number of Branches in Percent
100%	22	13.2
Over 90%	41	24.6
Over 80%	29	17.4
Over 70%	10	5.9
Other	65	38.9
Total	167	100.0

In this connection it is certainly worth noting that the planned EEC norm, which basically has the character of an antimonopoly law, defines competition as consisting of at least four competitors with a relatively equal share of production, or if there are more competitors, no company must have more than a 25 percent share of the market.

### The Great Unknown

What are the ways of demonopolization? First of all, it is a process which cancels its former administrative origin by the same method. That means, a central command.

But here, of course, the central sphere probably will not be willing to take such a step, because that would negate all the liberalizing goals and tendencies. But the fact remains that a central decision could be more effective and it would certainly be quicker. But it carries within it too many political and social aspects which make it unacceptable. The opposite of a central command is the creation of competition from below; the center must create the conditions for it. Everybody must have the right to engage in entrepreneurship, and conditions must be created for everybody which would stimulate any activity leading to the increase of competition.

Its ultimate result should be the abolishment of the function of the founder. The possibility of a free entry into the branches should be made available to any number of producers, and state enterprises should lease unused capacities for second and third shifts. One of the structural changes, which are desirable from the point of view of the state economic program, should be to prevent increases of the labor force in branches which are being cut back. The same policy must be used against large monopolistic producers. But it must be realized that in accord with the labor law and with making entrepreneurial initiative easier, the best and most skilled specialists will be leaving the production enterprises. There will be a number of unused capacities, the use of which will have to be stimulated by leasing, possibly by change of ownership, sale to private or cooperative ownership, to a domestic as well as a foreign customer.

An important element of demonopolization must be the realization that a competitive environment and the structure of the future market cannot be built alongside the existing structures, but out of them.

The nonexistence of a competitive environment, where it is possible to choose a supplier as well as a customer, is the main obstacle to the restoration of an efficient economy. But antimonopoly measures always require an analysis of specific market sectors, they must not be directed only against organizational monopolies, but must be effective also against price fixing and agreements on dividing the market and production deliveries.

The question of ownership is closely connected to the problem of creating competition. The current judgement of economic theoreticians is that the question of ownership is the foundation stone of a long-term interest in profitability.

For that reason, this function cannot be performed by either a state enterprise or a cooperative—here logically short-term profitability is preferred, or by well educated and thoroughly trained managers in charge of the enterprises. Here a great unknown is facing the Czechoslovak economy. I believe that in our current conditions there exists a strong social consciousness which prevents privatization such as that in Poland. It is therefore necessary to resolve the problem of joint stock companies, the

questions of selling stock to their own employees, transforming state enterprises into enterprises acting as managers of national property, and a transition to cooperative and private enterprises. We can feel confident that the diverse forms of ownership so necessary for the development of a market economy will be implanted here by, besides our own legislative steps, a broad opening up to the world economy.

An important step in building a market base for the Czechoslovak economy is its opening up to the world economy. It is a very necessary step—our incorporation in the international division of labor is in comparison with comparable capitalist countries (Belgium, Sweden, Austria) not only two to five times lower, but from the strategic viewpoint also very problematical. The substance of the solution and its goal is the need to introduce into the Czechoslovak economy the greatest possible number of products from the world economy, with their technological superiority and quality that satisfy the requirements of the customers.

#### **Gradually, but Immediately**

The market economy must emerge gradually. The key problem is the question of prices. The transition from administratively set prices to prices which reflect the actual situation in the balance between supply and demand depends on the solution of all the above mentioned problems. Nevertheless, it is not only possible, but also essential, to begin the process of rationalizing prices immediately. The transition to market prices must be carried out in several stages. The first one is the identification of those markets where balanced prices are already functioning or where they can begin to function immediately. Those markets must be freed of all administrative controls. To put it briefly, planned economy must disappear from those markets where there exist preconditions that would enable them to function without a significant increase in prices or impact on market equilibrium.

In the other instances the correction will take longer. The use of the market is possible only where there do not exist substantial obstacles to its development. Among such obstacles we can count the most diverse kinds of monopolies, a predominance of demand over supply that has been established by administrative instruments over a long time, inflexibility of prices, and artificially created barriers to adaptability by producers. Further, administrative barriers to entry or exit from the market, restrictions on the mobility of goods and production factors.

It follows, therefore, that there must be gradual changes from the administrative control of prices to prices set by supply and demand, according to the conditions in the individual markets. The current practice of setting prices primarily according to production costs will not work in the future. But there are many markets where there is no alternative because of the state of the economy, and therefore it is the only practical method for the time

being. But these exceptions must be specifically identified and ways sought to rationalize the price level thus set so that it is advantageous for the customer (consumer). The problem of the transition period lies in the fact that in view of the danger of rapid inflation, prices cannot be left entirely to the free play of the market forces, given the current structure and designation of the production. That will place new demands on the central management, and new demands on the Price Office which should become the main guarantor of the antimonopolistic policy.

To achieve a gradual transition of these markets to balanced markets, conditions must be created as soon as possible for the transition to prices of market equilibrium. According to my opinion, that can be achieved by taking the following steps:

1. The crucial step toward correcting price relations is to make the prices of inputs, both material and energy, realistic. At issue is the direct reflection of world prices in the domestic economy, therefore the basis must be purchase prices in free currencies. These prices are at the equilibrium level and they should be reflected in the domestic economy without an outside intervention by the center (subsidies), if possible. It follows, therefore, that the impact of prices on producers ought to be diminished particularly by the fact that at last producers will have to pay more attention to the cost aspect of production.
2. A further step toward correcting price relations must be the consolidation of price groups. It will be necessary to end the separation of especially the retail and wholesale prices by a fundamental change of the tax system, where tax on the value added by a producer should play the dominant role. In the long run, it will be necessary to remove the nonsensical scale of more than a thousand items in the turnover tax by introducing a single tax on most articles and by imposing a special tax on goods where the central decisionmaking sphere wants to apply preferential measures for any reason (social policy, health policy, etc.).
3. Last in the sequence, but probably the most important in its impact, is a well-thought-out step toward providing more room for independent price setting which depends on the mutual relationship between the sellers and the buyers. Here we find many obstacles, most of which were already mentioned. In practical terms it means a gradual, broader use of contract prices, prices set by an agreement between the supplier and the consumer. At the same time the role of the consumer should be strengthened, he should decide, for example, whether an innovation is a real innovation, whether it brings him benefit, decide whether a product is really new, etc. Nevertheless, the monopoly of the supplier in the great majority of Czechoslovak production speaks against a wholesale application of contract prices. Therefore the liberalization of price setting will have to be accompanied by hard controlling and antimonopolistic measures, which must

result in a strict anti-inflationary policy. The guarantor of an acceptable process should be, as was already said before, the Price Office.

### **Raising Consumer Prices to World Levels by 1993**

90CH0070A Vienna *DIE PRESSE* in German 2 Apr 90 p 10

[Article by red.: "Price Increases in Several Waves"]

[Text] In the coming years, the citizens of the renamed Czech and Slovak Federal Republic (CSFR) will be facing price increases in several waves. Minister Ladislav Dvorak, responsible for price issues, informed the parliament in Prague that by 1993, retail prices are to be adjusted to world market levels. This process of adaptation is to be paralleled by reductions in subsidies.

The first price wave will break over CSFR citizens in the coming weeks: Train and bus fares will be raised by an average of 84 percent. One example demonstrates that the state, even after this price hike, will have to subsidize 40 percent of the fares: At present an express train ticket from Prague to Brno, 200 km distance, costs 55 crowns. This corresponds approximately to the price of 7 liters of gasoline.

By raising the prices of solid fuel, the state expects additional revenues of 4 billion crowns during the second half of this year. Cigarettes and tobacco, however, will become more expensive even before July. On the other hand, the government intends to lower prices for electronics products.

### **Transportation Fares and Foodstuffs To Follow in 1991**

For the coming year, increases are planned for city transportation fares and certain foodstuff prices (by a total of 15 billion crowns) as well as construction materials (+ 1.3 billion crowns). Some industrial products in turn will become cheaper.

The raising of rents for apartments administered by the state is to take place in 1992, but will be announced already in the near future. This is to provide time for the occupants to perhaps look for cheaper and smaller apartments. For the 3.7 million apartments built since 1945, rents amount to approximately 20 percent of an average monthly salary (about 3,300 crowns). The planned increase is to adjust the lower rents for state apartments to the higher ones in cooperative housing.

The last price changes in the amount of 3 billion crowns are planned for 1993. At that time a value-added tax system is also to be introduced.

Last week in the Prague parliament, finance minister Vaclav Klaus also addressed the problem of "hoarding purchases" in the border regions by Western tourists. He called them "short-term dues" which the country's economy has to pay for the opening of the borders: Ultimately, the problem can be solved only through rationalization of the price structures, while a change in

exchange rates and administrative measures at the border crossings are of lesser significance.

### **Swedish Economic System Considered as Model**

90CH0045A Prague *LIDOVE NOVINY* in Czech 13 April 90 p 3

[Interview with Pavel Pelikan by Jaroslav Jiru in Stockholm; date not given: "The Swedish Model—Yes or No?"—first paragraph is LIDOVE NOVINY introduction]

[Text] Dr. Pavel Pelikan studied economics in Czechoslovakia at the end of the fifties and beginning of the sixties. He first worked at the Research Institute of Economic Planning and then, from 1967, at the Research Institute of Industrial Economics at the College of Economics in Venka Silhana. He was invited to the Universities of Berkeley and Pittsburgh in the United States. He did not return after the Soviet invasion; he became Professor of Economics at the University of Toronto and ultimately he went to Sweden to continue his research. He was also a professor in Paris for several years, and now he is back in Sweden as a researcher. His special field is the comparison of economic systems. He seems to be the ideal person to answer questions that interest me, and I hope the readers, from his room in the Swedish "House of Industry," a tall building made of glass and steel.

[Jiru] At this time there is much discussion in Czechoslovakia as to which economic model should be adopted. Some people say the Swedish one would be ideal. I don't think they really know what it is based on. Could you give us a brief description?

[Pelikan] I think the answer should be divided into two parts: one dealing with production and its organization, and the other with redistribution. The basis of Swedish wealth is intense capitalism, innovation, efficiency, growing productivity, and first-rate industries. As far as the second part is concerned, shortly before World War II, laborers and employers decided on the equitable distribution of economic growth at a round table meeting. This worked well until recently, because the labor unions had the main say. The white-collar unions merely adhered to what the laborers and employers decided. Now it is all falling apart because several new unions, mainly white-collar ones, have entered the game and they are changing a game of negotiations into a game of confrontation and inflationary pressures.

[Jiru] What percentage of industry has been nationalized in Sweden?

[Pelikan] Much less than in West Europe. England and France have much more state ownership than Sweden. However, there is a large proportion of state ownership in the area of services. Schools, health, child care, and employment agencies are all monopolized by local or central government. This is the result of a mistaken but

widespread belief that if the government wants to educate the children, it must also own the schools. If it wants to care for small children, it must own the kindergartens and day nurseries. If it wants to provide insurance, it must own a state insurance company, and the doctors working in this state insurance company must also be nationalized. Problems arise in this area with which we are familiar in East Europe: bureaucracy, wasted resources, the dissatisfaction of employees and consumers, long lines for applications for children to enter kindergartens, and long waiting periods for complex operations. This problem does not exist in Denmark which also has private and cooperative schools and kindergartens that are subsidized by the state, people have a choice. In France one can choose between a doctor or a clinic, and expenditures for health are lower than in Sweden. A state monopoly on services to the citizens is bad, it is disastrous.

[Jiru] In other words, the areas that are privately owned in Sweden fulfill their tasks excellently, but the state enterprises have a number of problems.

[Pelikan] A certain ideology and also certain group interests have formed. The monopolistic producers of social services maintain that only they are able to take care of the poor. Unfortunately, many people believe them. Yet all one has to do is look at Denmark which has competition even in these areas. I don't mean to say that everything should be privately owned, but competition would encourage greater efficiency. Sweden possibly has the most expensive schools in the world because they have to belong to the community, in other words to a public, monopolistic bureaucracy. They are much cheaper in Denmark.

There must not be a monopoly on services to citizens. Don't forget that open competition permits tax subsidies, which can be used to support necessary social objectives. However, these subsidies, properly safeguarded against misuse, must be directed to the consumers, not to the monopolistic producers.

[Jiru] Do you believe that Czechoslovakia could use any part of the Swedish model?

[Pelikan] That depends on to what extent to which one can ever transfer anything from one country to another. A system model creates three basic things: the written and the unwritten rules of the game—of which the written ones can be transferred to another system. The third thing is the organizational structure of production with specific conditions, which, however, cannot be copied.

[Jiru] Are all the rules in Sweden such that we could adopt them right away, or would we have to choose among them?

[Pelikan] The Swedish industrial model is actually identical with other capitalist forms of enterprise. There has to be private ownership, the possibility of a market, and

the means of production must belong to qualified individuals. The quality of the enterprises must be monitored on the stock exchange, so that branches that are not prosperous may be purchased by more capable people. If the worst comes to the worst and a new owner is not found to save the failing enterprise, bankruptcy must be permitted.

[Jiru] Do you think that there is anything we could adopt from the way Sweden manages its health service, for instance? Or the way it deals with the unemployed?

[Pelikan] We should avoid the Swedish type of monopoly as far as the health service is concerned. But we can learn a lot from the way Sweden solves the problem of unemployment. What is most important is their active approach to the unemployed, who have the opportunity and the duty to retrain and be reintegrated into the work process as quickly as possible.

[Jiru] Czechoslovakia wants to return to Europe. But we do not want to be considered as poor cousins. Do you think that we will be able to play a decent role in the world economy again?

[Pelikan] Yes, but it will take time. For the moment you will have to come to terms with the fact that you will be entering as poor cousins. Some foreign companies may buy your enterprises, or perhaps they will become co-owners. If you keep to the correct rules of the game, you can hope that a few new Batas will come along in time. But you will have to create suitable conditions for the development of ventures and enterprises.

[Jiru] The Swedish state does not make things easy for enterprises. Many East Europeans who would like to set up businesses complain about the conditions here!

[Pelikan] That is because taxes in Sweden are not only high, they are also very complex. Large companies have a staff of lawyers, an individual has to deal with them alone. Reforms are now being drawn up which might correct the situation. Your tax system must be simple, so it will not put an unnecessary burden on new entrepreneurs.

[Jiru] Why is Swedish capital slipping away?

[Pelikan] Partly because of the taxes. The inheritance tax is high, and the enterprise often has to be sold to pay it. Therefore it is necessary to make a distinction between a tax on private use, and a tax on working capital. Working capital should be protected from taxes as far as possible, on the other hand, higher taxes should be levied on luxury cars and villas. Another reason for capital being lost is lower work morale and higher absenteeism from work, even of healthy workers. Actually this is the negative side of exemplary care and security. On the other hand, we must not remove all securities, because people who have been eliminated by sharp competition must not be allowed to end up on the streets. A suitable compromise must be found.

[Jiru] Thank you for the interview.

### Housing Compared With That of Western Countries

90CH0048C Prague HOSPODARSKE NOVINY  
in Czech 30 Mar 90 pp 8-9

[Article by Eng. Jiri Hezky, Institute of Economics and Construction Organizing, Bratislava: "What Kind of Housing Do We Have, Anyway?"]

[Text] Housing represents an important part of man's basic needs. According to the results of comparative studies by the United Nations in 1985, expenditures for housing in the economically advanced countries represented 8-14 percent of the gross national product, in socialist countries 4-6 percent, and in Czechoslovakia they were estimated at 6-9 percent. Since this trend has been continuing until now, we can draw conclusions from the 1985 data which will be valid even today.

In 1975, within the framework of the 3d phase of the UN comparative study, a special method was worked out for calculating the various sizes and quality of apartments in individual countries in relation to the top quality apartments in the U.S. (= 100). The size of the area and number of rooms (quantitative factors) were compared with the type, age, physical condition, and amenities (qualitative factors). At that time, the Czechoslovak housing stock most closely resembled that of Hungary, which took part in the project. Their average apartment is roughly half to two-thirds in the quantitative parameters and roughly 60 percent in the qualitative parameters—in all about one-third of the top level in the world.

Because this difference in the overall quality of an apartment in Hungary and Czechoslovakia as compared to the top level in 1975 stayed only minimally at the same level by 1985, let alone increase, we consider the one-third value of an average apartment in Czechoslovakia compared to the world top level as being demonstrated also for 1985.

#### Why Such Differences?

The share of expenditures for the use of an apartment in the gross national product, according to the UN comparative study, ranged in 1985 from 3.80 percent (Poland) to 13.74 (Denmark). The main reason for these differences is the difference in the size and the quality of the apartment, because the total sum of expenditures for housing is in direct proportion to the amount by which the quality of the apartment falls short of the world peak, and that in turn is reflected in a low "domestic" price of this housing as compared to the established international price. At work here is also the price policy, where the less advanced countries have lower rents in order to be able to meet this basic need even given their lower creation of resources. This creates three groups of countries according to the ratio of the percentage share of housing expenditures in the GNP:

- Advanced countries—higher cost of housing as well as other needs. Average index 1.134. Among these are the FRG, U.S., Canada, Holland, Belgium, Austria, Denmark, Sweden, and Norway.
- Less advanced countries—lower cost of housing as well as other needs. Average index 0.676. Among these are the United Kingdom, Finland, Italy, France, Japan, and Spain.
- Socialist countries—cost of housing is one-third compared to the most advanced, and two-thirds compared to the less advanced, countries. Average index 0.466. Among these are Yugoslavia, Hungary, and Poland.

The development of the share of expenditures for the use of an apartment has had a moderately upward trend—in 10 years it increased on the average from 4.43 percent to 5.06 percent in the socialist countries—in the economically developed countries from 9.13 percent to 11.19 percent, that is, one-third faster. There are only two countries where this share declined in the 10 years—Poland and France—and they are also the only ones who have a lower share of rents in the GNP.

In absolute terms, per capita housing expenditures in 1985 range from \$429 to \$1,859, which is, however, only 9.30 to 16.94 percent of the created per capita GNP. The reason is a different base, that is, the per capita GNP is as much as four times higher in the U.S. than, for example, in Poland. It can be concluded, that on the average the use of an apartment in the national currency in percentages in the economically developed countries is two times higher than in the socialist countries because of the higher cost of housing (5.06 percent compared to 11.19 percent) and two and one-half times higher because of the higher base, that is, the created GNP (\$1,346 compared to \$510).

The predominant item in the structure of these expenditures is rent, whose share in 1987 in the economically advanced countries was 60.5 percent and in the socialist countries only 47.7 percent. The difference in the lower rents in the socialist countries was balanced out by the higher share of expenditures for energy, because the share of expenditures for maintenance and repairs was same in both groups, that is, 14 percent.

Until 1985, the share of rents including repairs and maintenance in the GNP in socialist countries did not change (2.9 percent), in the economically advanced countries it increased by 0.9 points from 7.1 percent to 8.0 percent. That means that the share of rents in the economically advanced countries was two and one-half times higher in 1985 than in the socialist countries, whereas in 1975 it was as much as three times higher.

#### The Situation Here

Because the statistical yearbooks of the CSFR do not contain more precise data on the extent and structure of expenditures for the use of all housing, and such data are not contained in the international statistical yearbooks either, we must make an estimate of the expenditures for the use of housing in the CSFR.

I used four alternate methods:

A. using statistics of retail prices for a representative "two-room apartment with appointments;"

B. using the microcensus study of reporting households (the problem is in deducting other services which are included in the rent);

C. using the expenditures for an apartment in socialist ownership (lacking are data for other apartments, records of expenditures in retail prices which are, in case of repairs, lower than costs); and

D. using a model of rent and services per representative apartment.

The result of these alternative methods—calculations—are expenditures for using an apartment in Kcs per month and in percent of expenditures per capita of the GNP according to Table 2.

But these estimates are rather low, because other authors usually report higher amounts. For instance, the Forecasting Institute of the Czechoslovak Academy of Science reports the share of the population's expenditures as 7 percent, data in the publication of the UN Housing Commission estimates this share in the CSFR to be 8-9 percent.

**Table 2**  
**Expenditures for Housing in Percent of GNP**

	1975	1985
Austria	7.73	11.12
Denmark	12.84	13.74
FRG	9.50	12.35
U.S.	12.60	13.11
Hungary	4.56	5.85
Poland	4.52	3.80
CSFR	3.12	4.03

Source: UN comparative study, CSFR estimate

The expenditures for maintenance and repairs of the housing stock which are double the amount of the receipts from rents call for a breakeven rent, that is, rent in the amount that would cover the expenditures for repairs. It is often argued that the share of rentals here is so disproportionately low in comparison with foreign countries that it justifies the proposed higher costs.

The cause does not lie in the low rentals, but in the high reported costs for repairs of the apartments, which here are roughly double what they are abroad, while at the same time the results do not improve the physical condition of our housing stock, which, on the contrary, is getting worse. But we are actually talking about fictitious high costs, which stem from the method of reporting them. It is a pity that we do not have a statistical report of the expenditures for maintenance and repairs of housing in private ownership, they will certainly not be higher, although in size and quality we are talking about a more expensive type of housing. Therefore, I do not see the problems of the deficits of the housing management

administrations and their solution in the low receipts from users, but in the inadequate control of repairs.

Another starting point for achieving the breakeven rentals, is to further reduce the current high consumption of energy in the use of apartments in the CSFR, which results from the cost-ineffective structure of energy consumption, low output of local boiler rooms, and from high losses in the production and transportation of heat from the heat producing plant or of the waste heat from industry. A considerable role is played also by the poor insulation of the buildings and a high permeability of the walls.

#### Low Rent—Expensive Services

Our apartment, which is at about the level of an apartment in Hungary, is roughly half the size of an apartment of an average economically developed country, and about a third of an apartment in the most highly developed countries in the world. That was true not only at the time of the study, but also now, because the differences in the quantitative and qualitative parameters did not develop favorably in the CSFR after 1975 as they did in the economically developed countries.

The reported expenditures for the use of housing in the socialist countries as well as in the CSFR are lower, and that is also because not included in the average are the higher expenditures connected with the construction and use of family houses in private ownership, and expenditures which an owner of the so-called second permanent home incurs, that is, a summer home, cottage, etc.

The differences obviously exist also in the expenditures for repairs and maintenance, which are reported to be higher in our housing in socialist ownership, although we are talking about a difference between reporting and fact. That can explain also the apparent paradox, that despite the high average expenditures for repairs and maintenance of these apartments (according to the studies of the Research Institute of Social Development and Labor, on the average up to Kcs 225 a month in the CSFR), that is, higher than is reported in economically developed countries, the actual physical condition of these apartments is poor and getting worse.

**Table 2**  
**Alternatives of Expenditures for Housing in CSFR**

Alternative	1975		1985	
	Kcs per Month	Percent of GNP	Kcs per Month	Percent of GNP
A	302	3.6	358	3.5
B	193	2.8	306	3.0
C	397	4.7	588	5.8
D	—	—	387	3.8

The average share of expenditures for housing in the CSFR, in view of the lower quality, is roughly at the level of expenditures in other parts of the world. Because of

the lower creation of resources in the CSFR, the absolute difference in the per capita and per household expenditures in the CSFR is much more striking in comparison with the advanced countries.

The comparison of the structure of expenditures for housing according to method "D" is, however, possible only for 1985. According to this method, the rent in the CSFR is 42.9 percent and other expenditures 57.1 percent.

The disproportionately high share of expenditures for the maintenance and repairs of the housing stock in the CSFR, Kcs 225 on the average, is even more striking if we calculate into the cost of housing the currently roughly 50 percent deficit of the district housing management enterprise resulting from repair work, which would increase it to Kcs 530 a month, of which the expenditures for repairs would be 42.5 percent; that is three times as much as the 14.1 percent share of expenditures for repairs in the economically developed countries.

An analysis of the statistical data also confirms that although the expenditures connected with the use of housing in the CSFR correspond to the lower quality of our housing, this is true only for the rent itself, while expenditures for energy consumption are average and for repairs and maintenance disproportionately high. Higher rents are not the solution.

## HUNGARY

### Delayed USSR Mercantile Trade Agreement Signed

#### Soviets Present Surprise Demand

25000710C Budapest HETI VILAGGAZDASAG  
in Hungarian 14 Apr 90 p 9

[Article by Gyorgy Heimer: "Hungarian-Soviet Mercantile Trade: What Else Could Happen?"]

[Text] Contrary to plans, Commerce Minister Tamas Beck and his Soviet colleague Konstantin Katusev were unable to sign this year's Hungarian-Soviet mercantile trade agreement (based on contingents). Negotiators are arguing about details concerning machinery trade, a matter of vital interest to Hungarian industry. During negotiations two weeks ago—they came to a conclusion with the signing of the oft mentioned "Memorandum" at the airport (HVG 31 Mar 90)—the Soviet side made an unexpected announcement: They have an import demand for an additional quantity of Hungarian machinery worth 120 million rubles, not covered by private contracts. At the same time they did not want to appropriately offset within the contingents this year's shipments called for by valid agreements reached between enterprises in earlier years. In the end, the two negotiating sides parted in Budapest by agreeing that

delegations of experts will clarify the open questions within two weeks in Moscow.

Although the deadline has passed, it now appears that the necessary reconciliation will soon be complete, and that records will call for the exportation of Hungarian machinery worth 1.6 billion rubles. "This is a severe reduction; this volume is between 25 and 30 percent below last year's volume," according to Commerce Ministry division director Laszlo Timar. Under such circumstances the ministry made an effort to proportionately include in the contingents the products manufactured by enterprises which export large volumes for rubles.

Taken together, this year's draft agreement projects 3.8 billion rubles worth of trade for each side. Considering values, the exports and imports represent a 16.5- and six-percent decline, respectively, as compared to the previous year's export and import values. The actual trade volume, however, may be adjusted upwards as a result of barter trade which last year reached the 300-million-ruble level. Barter trade at a similar level is expected this year. The so called meat, grain, and oil trade agreement which stipulates settlement in dollars is still in force this year. In the framework of this agreement they agreed on \$50 million worth of Hungarian meat exports. Ministry of Commerce estimates indicate that by year's end a \$165 million level may be achieved.

Eighty-five percent of imports from the Soviet Union still consist of raw materials and semifinished products. Six and a half million tons of crude oil—the same volume as last year—holds the first place. The projected volume of natural gas is 6,290 billion cubic meters, of which 1 billion cubic meters will be delivered in the form of partial repayment of the Tengiz-Jamburg Hungarian investment. It should be pointed out here that the exchange ratios in bilateral trade are shifting in favor of Hungary. For example, based on the Bucharest pricing principle, the per ton export price of Soviet crude oil declined from 180 rubles in 1985 to 113.65 rubles last year, and to 96.73 rubles this year. Thus, compared only to last year's prices, the volume of crude oil purchased became cheaper by 100 million rubles.

Soviet oil and the rest of the raw material deliveries satisfy the needs in Hungary on a calendar year basis. On the other hand, division director Timar did not conceal his concern. Considering the deteriorating Soviet economic situation there may be delays and gaps in deliveries. This is disturbing not only because such delays and gaps could cause disturbances in the Hungarian economy, but also because the government made a commitment to the International Monetary Fund [IMF] that it will issue export licenses based on quarterly analyses strictly as a function of Soviet deliveries, so that a surplus similar to last year's huge 800-million-ruble surplus does not evolve. A possible vis major that prevents Soviet export deliveries could upset the sensitive balance, and may make a shambles out of the carefully developed Hungarian plan not to export Hungarian goods without offsetting import deliveries.



### Beck Calls Agreement 'Compromise'

25000710C Budapest NEPSZABADSAG in Hungarian  
19 Apr 90 pp 1, 3

[Article including interview with Commerce Minister Tamas Beck by Moscow reporter Peter Dunai in Moscow on 18 April: "Soviet-Hungarian Mercantile Trade Memorandum of Agreement Signed; Compromise After Hard Bargaining"]

[Text] After tough negotiations and several rounds of bargaining Hungarian Commerce Minister Tamas Beck and Soviet Minister of the External Economy Konstantin Katusev signed this year's mercantile trade and payment agreement in Moscow, Wednesday.

At a press conference Wednesday, Beck qualified the document as having the character of a compromise, which in its own way is of historical significance because this is the last time an agreement will call for payment in transferable rubles. Both parties will be counting in dollars, beginning next year. The Hungarian minister provided a sketch of the process in which the compromise came about.

On the Soviet side the significant differences of opinion occurred because of the present difficult situation, and the mechanical transformation of Hungarian exports to suit this situation. Acceptance of the initially rather rigid Soviet position would have been contrary to Hungary's interests, of course. Thus there was concern that the export structure specified in a long-term agreement now in force would be upset, and that as a result a significant part of Hungarian machinery exports would face a very difficult situation. While during the Budapest round of negotiations in March a possible agreement was essentially torpedoed by arguments concerning machinery exports, in the concluding Moscow round of negotiations the hosts were more understanding with regard to the Hungarian position supported by valid agreement. Thus the last knot was untied and an agreement was reached with regard to machinery exports, it was revealed at the press conference.

The agreement signed calls for a 7.6-billion-ruble trade volume (of which 3.7 billion rubles represent exports, and 3.9 billion rubles imports). Compared to last year's trade volume Hungarian imports will be reduced by 10.5 percent, while exports will decline by 13.9 percent. We are not happy about this, we would like to increase the volume, but we do not find appropriate offsetting goods in the Soviet Union, Beck continued. He stressed the significance of the barter agreement. In response to a question Beck stated that the barter agreement is a necessary evil, but in today's situation it is appropriate with regard to CEMA countries, because barter trade disconnects the state bureaucracy to a certain extent.

Beck responded to NEPSZABADSAG questions:

[Dunai] Although you state that the signing came to late, I would reverse this statement: Was it not too early to

sign such an agreement considering the imminent change in government? Did you reconcile the Hungarian precepts with potential government factors?

[Beck] Yes we did. We reconciled this matter with everyone with whom such reconciliation was necessary. From our standpoint the security of the Hungarian economy is most important. In earlier days the Hungarian economy was tied to CEMA in a one-sided, dependent manner by the party and by the various governments. This had a pronounced effect on energy supplies, base materials, and energy resources. We regarded the requirement that energy deliveries be guaranteed by a contract as a fundamental condition. The agreement just signed specifies energy deliveries at last year's levels, and further: The Hungarian machine industry has become overly accustomed to selling on the reliable CEMA market. On the other hand, the Soviet position to decrease machinery exports would have increased the concerns of Hungarian enterprises (such as Ikarus and others). I regard as a great achievement the fact that in the present situation we were able to increase Hungarian machinery exports by 111 million rubles, as compared to the original, reduced demand. Moreover, those 111 million rubles are offset [by imports], and this is an important matter in Hungarian-Soviet trade. Just how complicated the situation is in other markets was revealed on the previous day in a conversation I had with our commercial counselor in the German Democratic Republic [GDR]. Hungarian exports to the GDR will be reduced by 25 percent, because Western companies are "occupying" our markets. This year they delivered 250 Mercedes buses there [to the GDR].

[Dunai] You mentioned last year's Hungarian trade surplus of about 800 million rubles as a retarding factor in reaching the present agreement. Viewed from here in Moscow it appears that this year will be no better for the Soviets than last year, i.e. they may experience similar delivery problems. What assurance is there that this year we will not be ambushed once again, that there will be no Hungarian trade surplus?

[Beck] We will check the balance on a quarterly basis, and we will provide hands-on control over the granting or denial of export licenses to prevent the evolution of another Hungarian trade surplus. As far as export licenses are concerned: The denial of these prompted demonstrations at home. That is why it is pleasing—and this is Moscow chief counselor Janos Ambrus' and his team's achievement—as I mentioned before, that they raised the machine industry export contingent by 111 million [rubles] including offsetting shipments. Another factor that prevents an ambush: If a Hungarian surplus evolves this year, the Soviets will have to pay for it next year in hard currency.

[Dunai] How hard will that currency be? Will it be dollars in cash, or clearing dollars?

[Beck] The status of these dollars is still uncertain. It would be nice to have these dollars in hard cash. Clearing

dollars would be less favorable, because clearing dollars lose their value as compared to cash greenbacks. The changeover to dollars (one transferable ruble equals 92 cents) has some difficulties, also as a result of the \$1.5 billion anticipated deterioration in exchange rates which will strike the Hungarian side.

### Foreign Accounts Receivable: Trying To Collect

25000710D Budapest NEPSZABADSAG in Hungarian  
14 Apr 90 p 5

[Article by Zsuzsa Gal: "Where a Dollar Is Worth Five Cents"]

[Text] Taken together, Hungary has a total of \$4.3 billion in foreign claims. Of this amount, developing countries owe Hungary \$630 million as a result of various commercial transactions. Commerce Ministry group leader Istvan Major told journalists Friday that as a result of credits granted for the purpose of supporting machinery exports, significant amounts accumulated in accounts receivable from developing countries, in particular with Iraq, Nigeria, Egypt, and Algeria. Of the \$630 million total, \$135 million are overdue.

Major stressed that uncollectible receivables do not exist; there are several known methods to effect collection. One such method is to permit the debtor to pay in the form of goods. (This took place recently in the case of Iraq; we wrote off half of Iraq's indebtedness as a result of its crude oil delivery.) Mobilizing frozen claims can also take place by selling the related notes on the securities market; this method, however, often involves severe losses. For example, in the case of Sudan, a country experiencing the most severe conditions, a dollar's worth of indebtedness may be sold at the moment for five cents. Another means by which it is possible to collect accounts receivable is for the creditor to accept the mostly very weak national currency.

The best thing to do, of course, is to prevent such trouble, and to stop delivering on credit. And whoever is unable to give up exporting, he should do so by delivering to the debtor drop by drop, always in the amount the debtor has repaid.

"At present we feel that there are no uncollectible claims. This is even more true because a severely indebted Hungary cannot accept the idea that it regards its outstanding claims as uncollectible," according to Major. He added: "This would deteriorate our bargaining position with respect to all of our debtors. We have dubious claims, the collection of which we do not see a possibility at the moment; these however do not exceed one-fifth of our overdue claims, i.e., they amount to between \$25 million and \$30 million."

Responding to a question as to what constitutes the difference between the \$4.3 billion total foreign claim

and the \$630 million claim described at the press conference, Major had this to say: "Would you please inquire about that at the Hungarian National Bank [MNB]."

We did. MNB Managing Director Dr. Ede Bako told us that using the new exchange rates the total accounts receivable amount is \$5.5 billion. Of this, \$800 million represents MNB reserves, between \$230 million and \$240 million were incurred in the form of government credits, and about \$1 billion worth of items are now being accounted for. The rest of the accounts receivable, about \$3.5 billion, is composed of short-term, medium-term, and long-term enterprise credits. Of the latter, it is estimated that between \$400 million and \$600 million must be written off.

Beyond the fact that the Ministry of Commerce shows accounts receivable amounts that differ from those recorded by the MNB, it appears that the judgment of the two executive authorities is conflicting insofar as the existence or nonexistence of uncollectible accounts is concerned.

### International Panel of Economists Recommends Rapid Change

25000710A Budapest NEPSZABADSAG in Hungarian  
21 Apr 90 p 8

[Article by Denes Kovacs: "What Are the Recommendations of the Blue Ribbon Committee? They Advocate Rapid Change"]

[Text] One should always pay attention to good advice, particularly when unprecedented historic tasks must be accomplished: to lead the country's economy based on state ownership from a centrally directed "socialist" planned economy to a market economy. There has already been an unsuccessful example for the opposite of this process in Hungary, but no one has ever tread the path that is now before us.

Accordingly, it is worthwhile to thoroughly study the action program developed with the cooperation of well prepared and highly respected Hungarian and foreign economists by the Blue Ribbon Committee [KSZB]. The program entitled "Hungary on the path of freedom and economic transformation" occupies almost 10 newspaper pages and consists of 262 points. It intends to provide suggestions to the new government concerning actions of an economic character that should be taken and the transition we are facing. (FIGYELO 12 Apr).

No prescription or example could render our situation easier, because, as the document states: "Market economies have neither a unified system of goals, nor a unified network of institutions.... Accordingly, they do not present any country as an example to be followed." And yet, they feel that from the standpoint of Hungary the European examples deserve particular attention."

Therefore we ourselves must find the sole redeeming path, while we also must resolve a fundamental dilemma. The dilemma may be found in the fact that we should endeavor to apply means and methods that have been proven in market economies, i.e. we should make our economy "function" as if the rules of the marketplace already prevailed, although we are far from that state of affairs, and even though our economy is burdened by "vestiges of socialism." Thus the danger exists that e.g. competition, the engine of the capitalist economy, will "cough, and emit smoke" in Hungary, that it will barely function, and that for the time being we will mostly experience its disadvantages only. The experts recognize of course that "competition cannot be decided or introduced centrally, it can come about only as a result of the natural conduct of many different actors, each pursuing their own interests."

Accordingly, the big question is this: To what extent could and should transition be accelerated in such a way it is "accompanied with the least possible pain," while at the same time the environment and institutional system needed in a market economy are established as soon as possible and the actors who "conduct themselves" in a manner already consistent with the new conditions emerge.

Understandably, the authors of the action program advocate rapid changes: "The sole solution is to accomplish rapid transformation, even if it will take time before a long-term upward trend evolves." And then, in order to make speed attractive, the authors stress that the advantages of their program will become visible within a few months, e.g. in the quality and larger volume of consumer goods and services, in improving efficiency, in reduced waste, and in improved job opportunities for certain groups of labor.

#### **New Three-Year Plan, With Capital**

But we must study the document more thoroughly before we can describe what the KSZB understands by rapid transformation. Let us begin, for example, with the most important aspect: proprietary reform. Quite obviously, the purpose of ownership reform is for factories, plants, and enterprises to pass on to the hands and management of "real" owners. As far as privatization is concerned—the topic that evokes the most debate these days—the committee believes that "need calls for a considered and rapid process, with restrictions pertaining to a few sectors and to size." Then they say that "Within three years at least one-third of the state property, and within five years half the state property should be in private hands," particularly in instances where the return on capital is favorable, and in enterprises which intend to redirect their activities from the CEMA market to the world market.

Capital and capitalists are needed to perform this demanding task. In this regard the program concludes that the needed capital is not available in Hungary, because "along with the present rate of savings, the Hungarian populace could purchase the state enterprises

only in the course of about a century." But imported foreign capital is unavoidable even if various credit constructions are applied, or if local autonomous governmental bodies, pension funds, and others join the process.

That is one reason why the action program pays great attention to direct foreign capital investments. It takes a firm stand against arguments which support the "selling out of the country," because "in many West European countries the ratio of foreign ownership is about one-third of the industrial capital, while in Hungary, as of early 1990, this ratio stands at a mere two percent. Thus, there is ample room for expansion, based on any rational consideration." To foster this process the document expresses a need for the government to prepare a new investment development program, and to stimulate foreign capital investment through organizational, tax, and other measures.

It is difficult to judge today whether it will indeed be possible to achieve the goal within three to five years. In order to accomplish this, the stimulation of entrepreneurial ventures, the support of small ventures is indispensable, and the program regards as one of these measures the idea that "within one year all retail sales and service units should be transferred to private ownership."

#### **Convertible Forint**

It is well known that establishing the forint as a convertible currency is perhaps the most important condition for joining Europe, and for an adaptation to the world market. Whether this should be accomplished immediately or gradually is the subject of heated debate among Hungarian experts. Members of the committee were not unanimous on this issue. Some members supported rapid conversion, because postponement only serves to delay economic recovery. Others recommend gradual implementation because of the strong inflationary pressures that accompany convertibility, pressures which could not be offset by monetary policy measures at the outset. At the same time the experts agreed that "the new government must render the forint fully convertible within three years," and "at the same time the forint must be linked to a strong Western currency at a fixed exchange rate."

A commonly known truth the economic and fiscal policy makers of recent years have frequently forgotten about is the fact that in the absence of a strong and stable currency there could be no transformation which holds out any promise of success. For this reason the action program regards the establishment of a strong and stable currency as the chief goal of economic management in the next three years. "At the same time this also means the reduction...of the inflation rate to a single digit. The new government's credibility would be greatly increased both in Hungary and abroad if it were able to accomplish this goal without paralyzing market forces." One must be in far-reaching agreement with this statement; the only question is what means can accomplish this difficult

task. Above all, the KSZB recommends the strengthening of monetary policy and financial discipline, while it regards as unacceptable the freezing of prices and the determination of wages by administrative means. Nevertheless, in certain justified cases the report does not rule out wage controls or even some other means of state intervention with regard to state enterprises in certain branches of the economy which enjoy monopolistic situations.

It follows from the inner logic of the document, discussed only in a sketchy form, that the authors advocate rapid transformation, and that, in regard to the most critical issues, the issues that present the most dangerous threats, they intend to see a turnaround not instantly, but within about three years. These include privatization, the establishment of the forint as a convertible currency, and the substantial moderation of inflation. This is yet another reason why particular attention should be paid to this finding: "Stabilization and transformation...presume the introduction of an action package that consists of several significant items, moreover, these are distributed over a period of two or three years, and not all at once, as in Poland."

This lengthy document could serve as a good foundation for such an action package. It is characterized not by the lengthy discussion of "pseudotheoretical" issues, but by the detailed listing of proposals that pertain to specific actions. Moreover "the sole intent of the endeavor is to gather in one place the numerous constituting elements of a transition having the proportions of a national economy, elements which frequently exert mutual effects.

A single newspaper article cannot undertake the task to evaluate and judge to what extent this respectable body was able to fulfill this intent. Soon the ball will be in the field of the new government, because what the action program says is true: "The Hungarian economy has no time to waste. For both economic and political reasons the new government must act quickly and firmly, and must develop a comprehensive economic program." And it must also develop a well founded, logical strategy, because if the government takes actions without such strategy, it may repeat the mistake made by its predecessors, and may easily "create an impression that it is endeavoring to resolve only momentary situations and to survive the difficulties favorably or unfavorably, thus causing long-term economic, political, and societal loss." We will soon see how much of the Blue Ribbon Committee's recommendations the government will put to use in the form of a good strategy.

#### **World Bank Loan To Finance Economic Programs Negotiated**

25000710E Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Apr 90 p 6

[Unattributed article: "New Kind of World Bank Credit"]

[Text] A new World Bank loan would serve the purpose of privatization and the transformation of losing state

enterprises. The loan supports the implementation of Hungarian economic policy programs, as compared to previous loans which financed specific investments. In addition to leaders of the National Planning Office and the Hungarian National Bank, experts from six parties represented in Parliament took part at the Washington negotiations. They explained their presence by saying that the new type of credit which has not been granted thus far, and of which only preliminary negotiations were held, will have to be given final approval by the new government and by the new National Assembly. Based on preliminary information, the present loan of between \$200 million and \$300 million to support economic policy programs will be followed by additional loans of a similar character.

#### **Soros on East European Payment Union, Academy**

25000713B Budapest NEPSZABADSAG in Hungarian  
23 Apr 90 pp 1, 4

[Interview with Gyorgy Soros by Zsuzsa Gal in Budapest on 22 April: "Gyorgy Soros: Changing Horses?"—first paragraph is NEPSZABADSAG introduction]

[Text] Gyorgy Soros arrived in Budapest on Sunday from his London home. Our reporter interviewed him at the Forum Hotel.

[Gal] What brings you to Hungary at this time?

[Soros] I came for a conference at which we intend to develop the concept of an East European payment union.

[Gal] Who will be the participants?

[Soros] In addition to Hungary, representatives from the Soviet Union, Poland, and the CSFR will be present. There will also be an expert from a Basel bank present, who in earlier days established a payment union attached to the Marshall Plan.

[Gal] What purpose would the union serve?

[Soros] It would maintain trade among East European countries after CEMA disintegrates, i.e. after the transition to dollar-based settlement. That is, the small countries will be struck twice as hard as a result of the transition. They will have to pay higher world market prices for Soviet energy resources and raw materials on the one hand, while on the other, and this is the more serious threat, we may not be able to sell anything at all to the Soviet Union for dollars. Accordingly, the trade balance will shift heavily. This is what we would like to prevent by way of the union.

[Gal] How?

[Soros] In such a way that the Western governments could grant loans on favorable terms to East European countries in order to bridge the transition to dollar-based settlement.

[Gal] Do you have some personal business interest in this?

[Soros] No, not at all, and I was not authorized to do this by Western governments. But I see this as a possible way to recover from the crisis.

[Gal] Accordingly, at present you serve as a liaison between the Eastern and Western worlds of money, between the governments.

[Soros] Yes, you could say that.

[Gal] To whom will you present your proposal?

[Soros] To almost all European governments and to the American Government. But I will add this: All of this amounts to testing for the time being. Western governments can act only if the East European countries take the initiative. Accordingly, I am actually preparing the possibility for such a union, because the moment may come when this idea can be realized.

[Gal] What kind of moment would that be?

[Soros] If the Soviet Union decides to change its economy to a truly market economy, when it transforms into a confederacy. At that time this concept may be pulled out of the drawer and may also be applied in trade between the Baltic states and the Soviet Union, for instance.

[Gal] And the Soros scholarships? Will they also continue from Moscow to Peking?

[Soros] They will. The new large action is the establishment of the Central European academy, in which East European students may register for a one-year course of study.

[Gal] Where would the academy be; what would it teach?

[Soros] Prague, Pozsony [Bratislava], and Vienna vie to become its headquarters location. The institution would teach political science, history, languages, and other humanist sciences.

[Gal] When would the first school year begin?

[Soros] If everything goes well the curriculum may be put together and students may be selected next year, and teaching could begin in September.

[Gal] Accordingly, you feel that if the East European countries accomplish a complete political turnaround they will need Soros scholarships or some other type of intellectual help [as published].

[Soros] It is precisely because of the turnaround that I feel the academy is needed. The Stalinist structure has collapsed, but what comes thereafter? These countries will either be able to join the free world, or the Stalinist system will salvage itself into a structure based on national feelings, but which in the final analysis will be very similar to the old one. There is no such threat in

Hungary, but the methods may be similar. I have in mind, for example, the control of the media, of television. In Romania they shot the horse out from under the rider, yet the same group of people are now riding the nationalist horse. Accordingly, all they did was to change horses.

[Gal] How does this relate to the idea of the academy?

[Soros] I advocate an open society; that is what I have tried to accomplish with my activities thus far. But from this standpoint my work has not come to an end. It is my goal that the academy provide cultured individuals to the East European countries.

### **Agricultural Cooperatives: 1989 Closing Balances Disclosed**

*25000710B Budapest NEPSZABADSAG in Hungarian  
20 Apr 90 p 5*

[Unattributed article: "Closing Balances at Cooperatives; Standing Fast in the Financial Storm; More Than 100 Farms Record Losses"]

[Text] About 1,300 agricultural cooperatives have reconciled their accounts. Last year's financial balances and the concerns of farms became known. Comparison with other years' data is made more difficult by the fact that last year many cooperatives changed over to a new, simplified accounting system. Thus, in analyzing the figures one often had to apply economic estimates.

Having said that, Gabor Horvath, the business secretary of the Agricultural Cooperators [as published] and Producers Association [MOSZ] stated that despite deteriorating economic conditions, production and commodities supply levels by cooperatives remained unchanged. Thus the supplies to be provided to the populace and food exports are not endangered. The fact that the profits earned by cooperatives exceed the 1988 level of profits by only 10 percent raises concerns, nevertheless. This is due primarily to increased prices.

Expressed in amounts, the profits earned by common farming units amounted to 19 billion forints, as compared to 17 billion forints previously. Considering last year's 20-percent inflation rate it is apparent that cooperatives were able to achieve only half the minimum justified inflationary price increment.

The number of farms which actually incurred losses exceeds 100. Losses were incurred due to flooding, drought, and frost damage, in addition to individual management problems. The 800-million-forint loss recorded in 1988 almost doubled.

On a nationwide scale, earnings at cooperatives increased by only six percent. As a result of a continuous decline in state subsidies and in the higher cost of work,

the capacity of cooperatives to sustain employees declined: Last year the number of workers employed declined by six percent.

The MOSZ secretary stressed that last year's financial results in agricultural cooperatives prove that it is impossible to conduct satisfactory farming activities along with a five-percent profit rate, a 25-to-30-percent interest rate on credit, and under constrained parity conditions.

### Expert Warns of Pitfalls of Proposed Energy Policy

25000711A Budapest MAGYAR NEMZET  
in Hungarian 20 Apr 90 p 5

[Article by Miskolc Heavy Industry University professor Dr. Szilveszter Petho: "On the Situation, Future of Our Energy Supplies: The Cost of Security"—first paragraph is MAGYAR NEMZET introduction]

[Text] There are more and more discussions being held about the situation and security of our energy supplies. More recently, not only the domestic, but also the international background of this situation is being discussed. Our supply of natural resources—coal, gas, and oil—was known already before; new considerations have come to the forefront primarily because of environmental protection requirements, a greater stringency in cost considerations, and the changed possibility for the importation of energy resources. We intend to deal with this topic in several installments. To start the debate we begin with the writing of Dr. Szilveszter Petho, professor at the Miskolc Heavy Industry University.

We familiarized ourselves with Industry Minister Ferenc Horvath's submission to the National Assembly Committee on Industry late last year. It was entitled "The Main Directions Contained in the Energy Policy Concept." And the ACADEMY REPORTER published the Hungarian Academy of Science [MTA] presidium's decision concerning the medium range strategy for power plant construction, as well as a position statement which appeared as an attachment to the Academy's decision. It was prepared by the MTA presidium at the request of the minister president.

According to this report one could expect that total domestic energy production will increase at an annual rate of between 0.6 and 0.8 percent, and within that, electrical energy use will have an annual growth rate of between 1.5 and 2.0 percent. The energy policy concept, regarded as thrifty in terms of investment needs, is based on this growth rate, moreover on the lower threshold of the former growth rate. The growth rate stipulated is far lower than what could be found in earlier estimates. "It does not always represent the optimum choice when it comes to production costs and to the security of supplies."

### Concerns About Soviet Deliveries

Pursuant to the position taken by the MTA presidium and in the industry ministry submission, the solution that is thrifty insofar as investments are concerned represents the construction of combined cycle gas turbine units linked to thermal provisions up to a 700-megawatt capacity. As a result of this solution, construction of a basic power plant may be delayed by as long as ten years.

In these publications we could also read about the advantages and disadvantages of gas turbine blocs, of nuclear power plant construction, and of the establishment of the 1,200-megawatt Bukk Thermal Power Plant. This comparison and the mathematical calculations that were not published resulted in the development of an energy policy concept that spares investments. The authors of the informational piece regard the expansion of the Paks Nuclear Plant with two 1,000-megawatt units as more advantageous than lignite.

The expansion of the nuclear plant has been well prepared with the Soviet and Czechoslovakian governments and with Western firms; cancellation of the contracts would require the payment of indemnification. Based on experience, nuclear plants "are the most reliable kinds of power plants and cause the least environmental pollution," according to the authors of the report. The chief disadvantage of lignite power plants is that "the total investment cost, including the mine, comes close to that of nuclear power plants, although the pacing of such costs is more favorable...."

According to the position taken by the Academy, from the standpoint of investment and operating costs, as well as from the capacity of power plants, the construction of gas turbine blocs is the most advantageous solution, and there should be no objections from the standpoint of security and environmental protection either, (except for the emission of nitrogen oxide).

I believe that it will become possible to make an objective statement about investment and operating costs only after completion of the ongoing Hungarian gas exploration investment in the Soviet Union. My main objection is that the fuel supply of gas turbine blocs is not secure!

The informative piece reveals that our natural gas production will decline from the present 6.1 billion cubic meters at present to 4 billion cubic meters in the year 2000, while one may expect an increase in demand for natural gas from 12.5 billion cubic meters in 1990 to between 15 and 16 billion cubic meters by the millennium. Of this volume, the power plants driven by gas turbines would consume 4 billion cubic meters annually, while intergovernmental agreements with the Soviet Union were able to secure only 10 billion cubic meters for Hungary.

The fact that the Soviet economy is increasingly deteriorating is well known; this also applies to the energy

producing branches of industry. There are alarming news reports about the premature exhaustion of energy at Soviet exploration sites. The Tengiz gas field area near the Caspian Sea may be involved in civil war at any time, if the ongoing civil war expands.

Not only is the delivery of gas uncertain from Soviet territory. As we learn from daily news reports, last winter there were difficulties related to oil and gasoline deliveries. For this reason we obtained oil from Iraq via the Adriatic crude oil pipeline. The Soviet coal mining situation is uncertain. It may be learned from the industry ministry report that "in the Soviet Union significant electrical energy shortages are likely in the upcoming decades." For all these reasons I believe that the concept which builds the power plant construction program of the upcoming decade on Soviet gas deliveries should be reviewed!

#### Lignite or Atoms?

One should not regard the fact that the "total investment cost" of lignite fueled power plants "including the mines, comes close to the cost of nuclear power plants" as a disadvantage. I am referring to academician Gusztav Tarjan's study entitled "Lignite Power Plants or Nuclear Plant of the Paks Type?" which appeared in No. 12, 1989 of *MAGYAR TUDOMANY*. Based on National Technical Development Committee [OMFB] data, the study indicates that the investment cost of lignite fueled power plants amounts to 22,000 forints per kilowatt, while operating costs amount to 0.73 forints per kilowatt hour. The same amounts in regard to nuclear power plants come to 40,000 forints per kilowatt and 1.19 forints per kilowatt hour respectively.

The exhaustion of the nuclear program in the United States was caused primarily by economic considerations. Per kilowatt investment dollars amounted to 200 in 1970. Due to increased safety requirements this amount increased to \$3,200 in 1986. All of this was foreshadowed in 1974. The last license for the construction of a nuclear power plant was approved in 1974, and since then 107 construction permits have been cancelled.

A global reassessment of nuclear energy was required because further nuclear catastrophes may occur, and because the issue of nuclear waste deposits is not resolved. In addition, protecting nuclear plants against terrorist attacks would require the amendment of the constitutions of individual countries to the effect that such amendments would change constitutional states into police states.

Treatment of this topic within a newspaper article does not permit the listing of further arguments. But based on the above, one may clearly determine that from among the proposed alternatives nuclear power plants are the least reliable and cause the most environmental pollution! Stating the opposite would constitute negligence.

The gas turbine program was developed in response to a general shortage of fuel resources. This shortage may be

ameliorated, however, if we increase electrical capacity production by dressing coal.

The rock content of lignite mined at Gyongyosvisonta is 25 percent. Removing the rock in advance in a dressing plant will increase the thermal value of lignite by at least the same percentage. Heat loss proportionate to ash content will be less, and because the dead rock need not be ground, the power plant's self consumption will be reduced substantially. As a result of all this, with a simultaneous 20-percent increase in lignite production, the present 800-megawatt capacity of the Gagarin Thermal Power Plant may be increased by 250 megawatts. As a result of dressing, a significant part of sulfur containing pyrite may be removed, thus reducing the power plant's sulfur dioxide emission. This solution, i.e. the establishment of dressing works alongside the existing power plants, the appropriate reconstruction of power plants, will compete with the gas turbine blocs suggested by the Academy insofar as investment and operating costs are concerned.

A professional study concerning the reconstruction of Hungarian coal fueled power plants reveals that in conjunction with the renewal of the Gagarin Thermal Power Plant, construction of the dressing work decided on earlier did not take place, despite the advantages described above. This certainly represents unforgivable negligence, for which the structure in which the mining plant and the power plant operate as mutually independent enterprises should be held responsible. This is also indicated in the Academy's position. But one must not suppress the Industry Ministry's responsibility either!

I also regard as necessary the study of most recent achievements on an international scale concerning lignite power plant technology, and its application in the interest of developing lignite power plant technology in Hungary. For example, the efficiency of power plants of the same age that are fired by coal and that maintain a schedule [as published] is 50 percent. In these power plants the emission of pollutants, such as flue dust, sulfur dioxide, and nitrogen oxide, is far smaller than in traditional plants. As a result of increased efficiency, the specific carbon dioxide emission as applied to capacity is also smaller.

In designing the Bukk Thermal Plant one must not disregard the need to construct a coal dressing plant. Consistent with a 1.5-percent increase in electrical consumption, I recommend the construction of 300-megawatt power plants, as mentioned in the report. These would serve as substitutes in part or as a whole for gas turbine power plants. After constructing three or four units, these could be operated as basic power plants at Bukkabrany.

#### Which Is Cheaper?

Hungary has produced results which may be regarded as significant, even on a global scale, in the removal of the top layer and the restoration and recultivation process following exploration in the field of lignite mining.

Similarly, certain low cost, efficient technologies which have been proven in pilot plant tests have been developed in Hungary for the dressing of lignite. The electrical energy produced at the Gagarin Thermal Power Plant is the cheapest in Hungary. This is to the credit of the endurance and the willingness to innovate of professionals working there. Based on all this I propose the development of a system which encompasses mining, the dressing of lignite, and power plant technology, which could be applied not only at Bukkabrany, but also in countries which possess large lignite resources. The Hungarian machine industry could be developed and kept busy as a result, and at the same time unemployment could be reduced in Borsod [County]. Substantial foreign exchange could be acquired as a result of selling and installing such systems abroad.

Accordingly, from among the presently available solutions, in the interest of secure supplies I would recommend the choice of constructing at Bukkabrany a modern technology power plant which would be fueled by lignite from which the dead rock has been removed as a result of dressing, and whose sulfur content has been partly removed. At this time, after the elections, I would like to call the attention of the public and the parties to the matter of energy supplies—a matter of fundamental importance.

## POLAND

### Tax Privileges for Socialized Economic Units Criticized

90EP0511A Warsaw *RZECZPOSPOLITA* in Polish  
15 Mar 90 p 2

[Article by OR: "Tax Equality of Sectors"]

[Text] Present regulations governing enforcement of administrative procedures and tax obligations provide privileges for socialized economic units.

This situation, obviously, is in conflict with the fundamental principle of equality for all economic organizations. But that is not all, for the arrears in payment of taxes by these socialized economic units has become one of the reasons for the budget deficit. Furthermore, the overdue tax obligations are rapidly devaluating and are becoming an easily accessible and cheap credit. Hence the need to speedily amend the present regulations and issue regulations which will bring the socialized taxpayers into line.

The government draft of such a law has been submitted to the Sejm. The administration and internal affairs commission and the legislative commission took it up at a meeting held on 14 March, at which the elimination of preferences for socialized economic units was proposed. It was also proposed that the fines provided in these laws be tripled, specifically to 15 million zlotys.

## YUGOSLAVIA

### Operation of Stock Market Marked by Caution

90BA0064A Belgrade *EKONOMSKA POLITIKA*  
in Serbo-Croatian 9 Apr 90 pp 24-27

[Article including interview with Gusti Santini, in charge of setting up Zagreb stock market, by Vladimir Grlickov; place and date not given: "First Auctions and Founding Considerations"—first paragraph is *EKONOMSKA POLITIKA* introduction]

[Text] 350,300 marks and 189,000 dinars traded at the first auction on the Ljubljana stock market; foreign and private brokers are still not able to participate in the stock market; why is there wariness towards setting up a Zagreb stock market?; the role of banks in the stock market.

The first public sale of securities on the Ljubljana stock market elicited a great deal of public interest. In contrast to the "situation" a month ago at the founding meeting, the first stock market auction in the jam-packed auditorium of the Residential-Communal Bank in Ljubljana, which had been specially adapted for the occasion, was attended by Slovenian politicians, and a letter of support was even received from the president of the government. The high level of interest in stock market transactions can be explained primarily through the fact that the successful operation of those institutions (auctions are also being held in Belgrade), contrary to the claims of skeptics, is becoming a reality.

Admittedly, the amount of trading is not great (in Ljubljana it was 350,300 Deutsche marks and 189,000 dinars), and it is being conducted in a rather outdated manner (for example, the classic blackboard and chalk are being used) since the stock markets and the people involved in them are still restricted in terms of technology and space—but it is clear that the stock market, as part of a secondary capital market (securities), is not only possible in our situation, but could also constitute an important institution that could ensure capital and its efficient circulation with greater success than the current state mechanisms.

### What Is a Session of the Stock Market Like?

It may seem like an unnecessary detail, but precisely because of the (market-oriented) manner in which capital is acquired and sold (the buying and selling of securities), it is worthwhile to describe, on the basis of the first auction in Ljubljana, what a session of the stock market is like. First of all, a stock market session consists of four parts that are defined in minutes. The first part lasts from 10:00 until 10:45, and during that period orders to purchase securities are collected, which authorized brokers deliver to stock market employees. The second part of a stock market session lasts 15 minutes (until 11:00), and during that time stock market employees establish the initial rate of securities intended to be traded. The third part of a stock market session,



which begins exactly at 11:00, is the most important part, since in practical terms this is when the auction of securities takes place. Starting with the initial rate, brokers yell out new (or old) prices for the securities, and if there is mutual agreement (between the buyers and sellers) concerning trading at these prices, then bargains are struck. Finally, the fourth part of the session is of a technical-operational character, involving filling out stock agreements and arranging for the transfer of securities.

At the first auction on the Ljubljana stock market, there were 11 securities available. Bonds from "Yulon," "Yuteks," "Lasko," "Lesnina," and "Meblo" were available. These were bonds with a so-called currency clause, whereby they are put up in Deutsche marks (which are converted into dinars), which today does not constitute a favorable circumstance for the owner of these securities, due to the fixed rate and the more attractive dinar interest rates (between 40 and 45 percent). Naturally, these are bonds that were issued and put up in a foreign currency prior to passage of the "Markovic" measures fixing the rate of the dinar. Today, the issue of bonds similar to these seems less likely. Still, there was interest in the purchase of (even) these foreign-currency bonds at the first stock market auction, but this can be explained by speculation to the effect that the dinar will nevertheless be adjusted for inflation or depreciation, or—which is perhaps more likely—that inflation will not increase.

As a special curiosity, the first stock market auction in Ljubljana was also marked by the "presence" of the first stock, issued by the enterprise "Grad" d.d. [joint-stock company]. There was interest in this proprietary security because the buyer was offered an attractive dividend of 32 percent annually. Of particular interest is the fact that the one stock traded on the Ljubljana stock market did not receive the "green light" from the federal commission for securities. But a more detailed search through regulations "reveals" that permits from the federal commission to allow trading in the securities of new enterprises, as is precisely the case with "Grad" d.d., is not imperative. Nor are permits necessary for securities whose "proprietors" are sociopolitical communities.

#### Brokers

There were 14 authorized brokers (and 11 securities) at the first auction on the Ljubljana stock market. Moreover, these were brokers from banks, because for now only they are allowed at the stock market. Regulations still do not permit the presence of private brokers (or through them enterprises) and brokerage institutions. Admittedly, ownership restrictions are not the only obstacle to the presence of private brokers. Another obstacle is the absence of private institutions qualified for this work. For now, the only acceptable basis for offering these services in terms of personnel is inside the banks. And as far as ownership restrictions are concerned, they could be overdone to such an extent private banks would have to represent enterprises (or themselves) on the stock market by way of authorized brokers.

A particular problem is the impossibility of the presence of foreign brokers or banks on the stock market. All the more so since there was interest shown by foreigners in participating in the first stock market auction in Ljubljana. This is a delicate problem, whereby the regulations and the competent federal commission do not permit the presence of foreign securities and foreign brokers. On this matter, Gusti Santini, who is working on establishing a Zagreb stock market (we will publish a more extensive interview with him separately) thinks that the problem of the nonparticipation of foreign persons on the stock market should not be appraised one-sidedly, as if consideration is required in "permitting" a stock market, prior to carrying out structural changes in banks and enterprises. Because despite the real possibility that the participation of foreign brokers on the stock market could lead to an undesirable drain of capital, their usefulness would be appreciated in the event that foreigners turn up as buyers of securities owned by our own, foreign, and mixed banks and enterprises.

For any security to be placed on the quoted list, besides the "green light" from the federal commission, it must meet the criteria of the stock market itself. These are really criteria for evaluating the credit rating of the enterprises or banks that are still, as Drasko Veselinovic, deputy director of the Ljubljana stock market, says, not worked out in full detail. Data on the business credit rating (YUIX index) and quotations of securities will start to be published in the daily press after the next stock market session.

When asked whether the enterprises that issue the securities that were traded at the first auction fall into the category of those with good credit ratings, Veselinovic answers in the affirmative. The only one on the weak side in business terms is "Meblo," whose securities are having a hard time finding buyers. However, the security itself should not be judged any worse, since it is guaranteed by the bank (Residential-Communal and Commercial Bank in Nova Gorica), which shows good business performance. A particular problem is that the bank (un)justifiably issued a guarantee for a security from a less-than-solid firm, but that is not a major concern of the stock market. What is important to it is that the security be covered by a well-heeled bank.

#### Stock Market in Zagreb as Joint-Stock Company

The first transactions and trading of securities are already taking place on stock markets in Belgrade and Ljubljana, while the establishment of a stock market is still being anticipated in Zagreb. However, the indisputable delay in Zagreb could not be explained by slowness in preparing for its establishment; rather, it has to do with the aim of doing all the preliminary work (of which training personnel is the most essential element) so well that the stock market operates as successfully as possible. The pervading mood, based on a conversation with Gusti Santini, who is heading the project to set up the stock market on behalf of the Institute for Public Finance in Zagreb, is one of caution. Most of all, how to

make the stock market function successfully, under conditions of structural and ownership changes in banks and enterprises that are still incomplete and under conditions of unresolved problems concerning the participation of foreign and private brokers (banks and enterprises) on the stock market. We present a free interpretation of our conversation with Gusti Santini.

[Grlickov] It is maintained that there can be no market-oriented economy without a transformation of the financial system. Accordingly, the financial system is the "hinge" for the proposed transformation of ownership, whereby social ownership would have to lose its privileged and protected status. How do you regard the role of finance and the stock market in reforming the system?

[Santini] Market-oriented economic reforms lend a special significance to the transformation of the financial system. This is quite understandable if one considers the change in mechanisms related to the economic system that is still in force.

The type of training and the application of accumulation in the new economic system will constitute a new "philosophy" that is incompatible with the current system, mechanisms, and instruments—the institution of the association of labor and resources. The establishment of a new system of expanded reproduction demands that the position of social ownership also be defined more precisely. Specifically, all the known forms of ownership have found their proper place in the so-called system laws, which specify the model for economic reform. Still, identical treatment of all forms of ownership, together with the transition from one form to another, has not been established with adequate precision. Hence the dilemma about the function of so-called social ownership in the model of the market economy. A clearer definition of social ownership would make it possible to carry out economic reform more consistently.

Countries with market economies have an exemplary organization of the financial market, coordinated organization, institutions, and instruments. Their links, interdependence, and intertwinement on the international stage diminish the special qualities present in the organization of individual national financial markets. In this sense, I can also understand the efforts by the European Community in the direction of a unified organization in this area as well by 1992.

Credit relations are relinquishing an ever greater amount of room to securities, and one could even say that it is precisely the development of the financial market that created the entire range of securities to cover the needs of investors. The financial market, among other things, ensures the dispersion of risk and improves the mechanism for allocating accumulation.

[Grlickov] The possibilities of applying different forms of the reallocation of capital and dispersion of risk using securities do not appear to be great. The so-called portfolio of bank assets and of the economy is too one-sided?

[Santini] The dispersion of risk is ensured in that a large number of small investors finance even the largest projects, and that any unsuccessful investments do not have detrimental consequences for investors. Specifically, under conditions of a large number of forms of ownership, and consequently of forms of financing as well, each investor "designs" his own portfolio of assets. The possibility of changing his portfolio of assets significantly diminishes the risk of his activity. This clearly does not mean that he is insured against risk, but rather than he has the option of continually changing his position. The current system of financing the process of reproduction in Yugoslavia, based on credit relations, has in fact concentrated the risk on the particular socio-political community, or bank, aside from all the other consequences that such a system brings with it.

The possibility of having the structure of the portfolio of every juridical and natural person continually change makes it possible for finance capital to move from areas of low efficiency into areas of above-average efficiency. The efficient migration of capital is useful because it makes it possible to continually modify economic structures. At the same time, it is also a signal to below-average economic subjects that they must be more decisive in improving efficiency. This process should be understood as an ongoing commitment by an economic subject to increase its internal level of profitability. Only success and efficiency open up the possibility of development for each economic subject. As is known, the current decisions on the Yugoslav economic system are not adequate when it comes to efficiency of investment.

[Grlickov] The stock market, as part of the secondary capital market, is an indispensable institution in pursuit of the changes aspired to through a reformed and efficient financial system. Have all the preconditions for the establishment of a stock market and for its successful operation been created?

[Santini] The stock market as a significant institution of the financial system is essential for the functioning of the capital market. Although the potential capital market is also organized through other institutions, the stock market is indispensable to its developed form. This is why so much importance is given to stock markets, which is scrutinized in terms of both precise regulation of the stock market and the legislative activity in the country where the stock markets are in operation. The changes in the existing as well as the new legal regulations that govern the financial market—and within that framework the stock markets as well—are insufficient and incomplete. Such a situation essentially aggravates the concept of the stock market as an institution of the capital market. Moreover, there is fairly widespread understanding of the intentions of the legislature in designing and realizing the stock market. Thus, beginning with the goals of the economic and social reform, there are possibly questions that have not been adequately covered by laws, to work out in detail in the Stock Market Statutes.

When we talk about a broad social approach to this problem, one must refer to the questions with resolutions that lie in a very wide range, such as is in fact the case with the entirety of reforms and measures of current economic policy.

For example, in commercial banks there is fear that the introduction of securities will only change the structure of the population's savings, that dinar and foreign-exchange savings will simply be converted into securities. There are two different ways to respond to these misgivings. First of all, if it does lead to the transformation of part of savings into securities—which is very likely—the quality of the sources of financing will change, which can be regarded as positive in the overall market concept. Secondly, the possibility of an alternative use for the population's savings will “force” the banking system to conduct business more efficiently and more in keeping with the market. In addition, the establishment of a stock market and of securities creates the preconditions for setting up an entire series of different financial institutions, for the time being unknown to Yugoslavia. In this way, the stock market would contribute to resolving part of the problems not only in the banking system, but also in the entire finance system.

[Grlickov] What is the plan for setting up and organizing the stock market in Zagreb? It seems that we are unable to uncover anything “epoch-making” and new in terms of what is already empirically known in the world and in our country.

[Santini] It is being observed that we are behind schedule in setting up the stock market, but I would say that we are simply trying to safeguard some of the essential preliminary tasks, which make it possible for the market to function successfully. I am talking about the following activities, which we are trying to complete as soon as possible: first of all, we have tackled the work necessary to set up the stock market itself and to further specify the necessary conditions for its founding (the founding partners, normative activity, staff, and investment). Secondly, we have begun the training of the staff—both in this country and abroad—that will work professionally on the capital market. This form of contact with the experience of others is necessary anyway, regardless of whether you are setting up a stock market. Thirdly, we are trying to conduct a broad campaign of educating and informing the specialized and wider public about the functioning of the capital market (organization, institutions, and instruments) using books, periodicals, and the daily press, and by organizing training courses and meetings (symposia and seminars) for potential investors on the capital market.

[Grlickov] From reports on the founding of the stock market, it is clear that you have decided that it will be a joint-stock company (or company with limited liability), whereby great importance is assigned to the stockholders meeting, as its “supreme” body?

[Santini] The stock market is being set up through social agreements by banks and financial organizations. The initiative for reaching the social agreement is provided by the Executive Council of the Assembly. The legal form of the stock market is a joint-stock company (company with limited liability). The legal regulations relating to joint-stock companies and the special regulations and ordinances that stock market brings with it in terms of its organization and business are being applied to the founding and organization of the stock market. The stock market is a juridical person.

The founding partners must pool in an agreed minimum amount. The total amount of capital of the stock market, as a joint-stock company, cannot be less than a specified amount. The founding partners must draw up draft statutes for the stock market and the corresponding regulations to be subsequently adopted at the stockholders meeting. The draft statutes must be approved by the Executive Council of the Assembly and the Republican Secretariat for Finance.

All founding partners will have voting rights at the stockholders meeting. The number of votes held by each person depends on the amount of initial deposit. When the deposit is paid up in full, it loses its nominal value and represents merely a proportional share in the distribution of part of the profits, a certain number of votes at the meeting, and a proportional share in the distribution of stock market assets in the event of a discontinuation of operations. Shares in the stock market's capital are payable to order and can be transferred only with the consent of the stock market's board of directors. The stockholders meeting is the supreme administrative body. It meets at least once a year, where it approves the annual financial statement, decides whether to distribute part of the profits as dividends, and decides on business trends for the coming year.

[Grlickov] Still, it seems that the board of directors is the body that is in charge of operational decisionmaking, or prepares decisions for approval.

[Santini] The stock market's board of directors consists of the chairman and two to four members who are elected by a simple majority of votes at the annual meeting. The chairman of the board of directors represents the stock market when meeting with third parties and authorities. The board of directors directs the work of the stock market and prepares regulations on trading, on those involved in stock market trading, on access to stock market premises by nonmembers, etc. The board of directors decides on whether to accept certain securities for trading on the stock market, and also appoints a three-member commission that establishes a list of exchange rates.

[Grlickov] Is owning stock (an investment) the only condition for participation in the stock market?

[Santini] Participants in trading on the stock market may be outside members. These are juridical and natural

persons who pay the stock market their annual membership fee and who are accepted by the board of directors through special measures. The right of the participant is to give a stock trader instructions concerning the buying and selling of securities in his name and for his account. Participants in trading could be given certain involvement in the management of the stock market in the statutes.

[Grlickov] What securities will be traded on the Zagreb stock market?

[Santini] The most important ones that we have provided for are stocks that can be payable to order and to bearer. The market can have common stocks, which provide the right to share in the distribution of part of the profits of an enterprise, the dividend, and the right to vote at stockholders meetings. Aside from that, there could also be other types of preferred stocks in circulation, which give their holders the right to a dividend at a constant amount, more votes at the stockholders meeting, etc.

There could also be trading in rights, which authorize the stockholder to buy, according to the number of shares that he already owns, a new share within a certain period of time at a price lower than the market rate. Warrants or options give the stockholder the right to buy new stock at a specified price whenever there is a new stock issue.

Bonds can be payable to order and to bearer, and they may be issued by sociopolitical communities and

enterprises. The interest is usually variable, depending on the level of interest paid by banks on savings deposits and the rate of inflation.

Treasury notes are issued by the National Bank of Yugoslavia, banks and sociopolitical communities. The treasury notes issued by the National Bank of Yugoslavia can be purchased only by banks, while all juridical and natural persons can buy other treasury notes.

Certificates of deposit for funds in banks or other financial organizations with a term of one to 12 months can be payable to order or to bearer. The amount and term for which funds are deposited is determined by the depositor, and the interest is determined by the bank or other financial organization.

Commercial notes are issued by enterprises, collectives, and other forms of association of resources with the status of juridical person. The purpose of issuing commercial notes is to raise short-term monetary resources.

[Grlickov] Is there a dilemma surrounding the question of whether foreign brokers should be allowed at the stock market?

[Santini] Participants in trading on the Zagreb securities market can be one or more stock traders who are employees of the stock market. In addition, a stock trader, besides professional qualifications and meeting other conditions, must be a Yugoslav citizen. For now, our regulations do not allow us to go any further than that.

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